

# **Bond Case Briefs**

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## **First Round of Illinois Pension Buyout Plan being Offered but no Money Available to Pay.**

The state's Teachers Retirement System is offering the first round of pension buyout plans for Tier I pensioners as a way to lower the system's unfunded liability, but there's no money yet, and a public finance watchdog worries things could go south.

State lawmakers included pension buyout plans as part of this year's budget, Lawmakers said the buyouts could save hundreds of millions of dollars over time. The plans would vary, but essentially would give the option to different classes of employees to accelerate some pension payouts in exchange for lesser overall benefits over time.

TRS Communications Director Dave Urbanek said the first round of accelerated pension benefits is being offered with a second round later this year, but those opting in after getting all their benefit changes calculated will have to wait for the check.

"Money for these checks will come from a state bond sale and the state has not yet sold the bonds," Urbanek said. "We're not sure with the change of administration what's going to happen with any of this."

The incoming administration of Gov.-elect J.B. Pritzker takes office Jan. 14.

An Illinois Auditor General financial report released Thursday showed TRS's funded ratio was up seven-tenths of a percent to 40 percent funded, but that was with a soaring stock market six months ago.

Truth In Accounting Research Director Bill Bergman said if a stock market decline continues, it's problematic.

"It cements a citizen's concern that these plans are still a threat to the taxpayer," Bergman said.

The TRS report was for the fiscal year that ended June 30, 2018. The Dow Jones Industrial Average was on an upward swing at 24,200. Near the close of business Thursday, the Dow was at 22,700 and seeming to trend downward over the past month.

Urbanek said TRS covers itself in all areas "so when bonds go up and stocks go down, we're also covered."

Bergman said taxpayers should go to [StateDataLab.org](http://StateDataLab.org) to get the full taxpayer cost of public retirement.

Including retiree health care, Illinois' unfunded liability for all retirement benefits is estimated at more than \$200 billion. Truth In Accounting puts each taxpayer in Illinois on the hook for \$50,800 to pay off that debt.

The Auditor General released financial audits for the State Universities Retirement System Thursday as well. SURS' funded ratio ticked down about eight-tenths of a percent to 41.2 percent funded.

With actuary associations saying 100 percent funded is the goal, financial analyst website Wirepoints President Ted Dabrowski said Illinois' pension ratios are abysmal.

"I think it's really immoral that politicians force workers to be in one type of plan, a plan that's managed by the politicians, they've done a horrendous job of it," Dabrowski said.

Urbanek said state law requires teachers, or their school district employers, to put in 9 percent to the pension funds. He said over the decades, state lawmakers have diverted the taxpayer portion from the pension systems to other budget items they see as higher priorities.

"It's immoral and what the self-managed plan in the state university system allows employees to do is to have control over their own retirements," Dabrowski said.

Dabrowski said the 20,000 public university employees who opted for the self-managed plans since 1998 don't have to worry about collapsing pension plans.

**By Greg Bishop | Illinois News Network Jan 3, 2019**