



Mounting tax burden called no match for soaring pension debt in Illinois

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Illinois ranks third in the nation in unfunded pension liability despite being saddled with some of the most stifling tax burdens in the country.

A Pew Research Charitable Trust survey found unfunded liability in the state spiked to \$119 million in 2015, while the funded ratio, or level of assets in relation to accrued liability, fell by 1 percent to 40 percent, behind only New Jersey and Kentucky as lowest in the nation.

Researchers also reported net amortization — a metric that determines if a state is making progress or falling further behind on its pension funding — remained in decline in Illinois in 2015, along with states such as Colorado, Kentucky, New Jersey and Pennsylvania.

“Overall, Illinois only ranks behind New Jersey and Kentucky in pension liability,” Theodore Cangero, a data scientist with the American Institute for Economic Research, told the Sangamon Sun. “What that tells you is reform is needed. New public sector employees hired have to accept lower pensions or employees have to contribute more for the system to have any chance of being sustainable.”

Researchers found the totals owed by pension systems across the country and what is actually available to states swelled to \$1.1 trillion in 2015, an eye-popping increase of \$157 billion, or 17 percent, from 2014.

On average, the funded ratio for pension plans nationwide dipped from 75 percent to 72 percent.

“A big part of the reason all pension funds across the country are strained is because investment funds are so volatile,” Cangero said. “Funds have not lived up to expectations. Projected investment returns of 7 percent have only hit around half of that.”

Numbers for 2016 have not yet been tabulated, but researchers suggest the downward trend will continue, with overall pension debt expected to climb to around \$200 billion and net liability to hit reach approximately \$1.3 trillion.

For Illinois, the consequences have been devastating, with more and more residents and businesses out-migrating to more tax-friendly locales like Colorado and North Carolina.

In 2015, the state lost 128,000 residents; only New York and California lost more. Illinois also ranked behind New York and is tied with California for the highest state and local tax burdens as a share of personal income, at 11 percent.

That same year, Illinois made up 5 percent of new arrivals to Colorado, which has the 35th-lowest state and local tax burden as a share of personal income. According to the Cato Institute, Illinois also ranks 44th among states in its Freedom in the 50 States Index, which charts regulatory policy and a lack of personal freedom, among other indicators.