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Chicago Business Leaders Call for Budget Cuts and Pension Reform to Address Illinois' Massive Debt

Recognizing that Illinois' budget deficit and unfunded retirement debt are among the worst in the country, the Civic Committee of The Commercial Club of Chicago today announced a statewide campaign to raise public awareness about the state's dire fiscal straits.

The campaign kicks off today with full-page advertisements in major newspapers throughout Illinois and the launching of a Web site (www.IllinoisIsBroke.com) that details the state's financial problems. The campaign is designed to engage the public and calls on candidates and elected officials to fix the state's \$130 billion debt -- \$120 billion of which is related to state pensions and retiree health care. The state's retirement obligations are crowding out other essential state services, and if reforms are not implemented these programs run the risk of insolvency.

"Teachers and State workers are entitled to reasonable pensions and access to health care; no one is denying that. But the fact of the matter is the private sector reformed its retirement plans in order to survive and it is time for the public sector to do the same. If we don't reform this system going forward, we risk a financial implosion in Illinois," said Miles White, Chairman and CEO of Abbott and chairman of the Civic Committee of The Commercial Club of Chicago.

Illinois' current annual budget deficit is estimated at more than \$14 billion and it is projected to grow in future years. State lawmakers have financed budgets by a combination of borrowing and ignoring obligations to pension funds. As a result, by July the state's total unfunded pension and retiree health care liability will have grown to about \$120 billion.

The state's growing debt has caused leading rating agencies to downgrade Illinois' credit, making it more difficult and more expensive for the state to borrow the money it needs to maintain current spending. The only state with a lower credit rating than Illinois is California.

"Our elected officials over the past decade have created a huge fiscal black hole," said R. Eden Martin, president of the Civic Committee of The Commercial Club of Chicago. "At the center of that black hole is our broken system of state retiree benefits -- pensions and retiree health care."

To help solve the crisis, the Civic Committee has outlined the following steps:

- Make major budget cuts to close the gap between what Illinois spends and what it takes in.
- Create a less costly tier of pension benefits for both new state employees and existing workers. This would allow current employees to keep the pension benefits they already have accrued while at the same time reducing the cost of pensions going forward and cutting an estimated \$20 billion from the pension debt.
- Reform Illinois' health care programs to reduce both the annual cost and the buildup of retiree health care debt.
- Stop borrowing against the pension and retiree health care plans. Commit to fully fund the reformed plans using current revenues at an actuarially sound level.

"We must address this crisis now. Failure to do so will bury our children under a mountain of unsustainable debt and cause businesses to flee the state," said W. James Farrell, former CEO and chairman of Illinois Tool Works Inc.

The Civic Committee of The Commercial Club of Chicago is a non-profit organization comprised of senior executives from the Chicago region's leading corporations, professional firms and universities. The mission of the Civic Committee is to improve the economic and social well being of the Chicago region.



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