

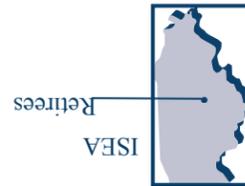
## Pension Funding Debate Returns to Springfield in 2026

By ISEA Retirees Lobbyist J. Nardulli

As lawmakers work through the Governor's budget plan, pensions are again a headline issue in Springfield, though largely in a familiar frame: how to pay down long-term obligations faster while protecting benefits already earned. For retirees, pension funding and retiree health insurance drive major state spending, but the early trajectory of the 2026 debate is focused more on strengthening systems than reopening benefit structures.

Governor JB Pritzker has revived a pension-funding approach he first pitched in 2024, branding it a "path to full pension funding" that would move Illinois from its current 90% statutory funding target to 100% funded by fiscal year 2048. The administration's outline pairs that longer-term goal with mechanisms intended to reduce risk and accelerate payments when revenues allow. These include extending the state's voluntary pension buyout program, directing certain end-of-year surplus funds toward the retirement systems, and using future "budget room" created as older debts are paid off to increase pension contributions rather than support new spending. The proposal also describes a payment-smoothing tool beginning in the 2030s to reduce sharp swings in required contributions after volatile investment years.

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Legislative leaders have responded with interest but caution. Senate President Don Harmon has publicly questioned whether an accelerated funding schedule is realistic in the near term, given competing budget pressures and economic uncertainty, signaling any shift would be evaluated carefully rather than advanced quickly.

One pension issue drawing legal and policy attention is the Tier 2 benefit structure for employees hired in 2011 and after. Concerns persist about whether certain Tier 2 provisions meet federal retirement adequacy standards for workers not covered by Social Security. While this does not affect current retirees directly, potential fixes, most likely adjustments to the Tier 2 salary cap, carry long-term fiscal implications and remain an area to watch.

Retiree health insurance will also continue to receive routine scrutiny as part of the budget process because it is expensive, complex, and administered through programs that must be updated over time. Lawmakers regularly review program costs, vendor contracts, and Medicare coordination. Even though courts have recognized subsidized retiree coverage as a protected benefit, plan costs and structures for State Medicare supplements or Medicare Advantage plans must be monitored.

Expect lawmakers to argue over pension funding pace, budget flexibility, and Tier 2 compliance fixes, while keeping an eye on how retiree health insurance is managed.

# RETIREEESTODAY Spring 2026

## Illinois State Employees Association Retirees

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John P. Coady, President  
John Mundstock, Secretary of the Board

Philip Novak, Director  
John Hartnett, Director  
David Thompson, Director

### A Word From ISEA Retirees President Coady

Jeff Houch, Associate Secretary of the State Retirement System (SRS), is aware of the long saga of the state's pensions' struggles. Rough financial conditions when markets were down, the State not making or delaying required contributions, state pension portfolios suffering, and the State pensions systems forced to sell assets at a loss are just some of the strains impacting the solvency of the pension funds. Some estimate the unfunded liabilities of the state's five pension systems at over \$140 billion dollars.

Given that history, State of Illinois retirees and their survivors live with continual concern as to the certainty their benefits will always be paid, always in full, and always on time. Houch is a 14-year veteran working for state funded retirement systems and currently charged with duties of administering three of the State's pensions systems pension plans. He believes there are indicators the pension systems are moving in a positive and more financially secure position.

As an example, Houch points to the pension funds for state employees, judges, and generally assembly. Houch says the increase in those State pension portfolios went from approximately \$10 billion in 2010 to nearly \$30 billion currently. Those pension systems account for approximately \$32 billion of the State's total unfunded liability. Houch explained that while unfunded liability must be addressed, that number is calculated over a series of years, while portfolio numbers of \$30 billion are dollars currently held in accounts.

Other positive factors, according to Houch, include the ongoing years the State has consistently made its mandated pension contributions in timely fashion. In addition, while \$300 million sounds like a lot, for Illinois pension systems the figure is minimal, but yet the State made an extra \$300 million payment to the state's pension systems in both 2023 and 2024. Houch believes this indicates an awareness by legislators and the governor's office of the importance of addressing the solvency of the pension funds.

Houch said of particular importance was the recent modernization of the actuarial assumptions for the pension funds. Liabilities are now more realistically measured. This conservatism has strengthened the funds, and this has "leveraged" or required the State to make pension contributions at a higher level.

Continued  
from front  
page...

## A Word From ISEA Retirees President Coady

Houch remarked that while the 2011 Tier-2 legislation reduced employee retirement contributions to the funds, overall, the legislation has significantly decreased the liabilities of the State Pension Funds. Houch stated the State Retirement System is aware of current discussion in the legislature as to whether Tier 2 pension benefits comply with federal law. He commented that if pension benefits are increased for any Illinois employees or retirees, any increase would need to be paired with appropriate pension funding.

What does all this mean to State of Illinois retirees entitled to pension benefits? Many of us stayed with our state jobs rather than moving to attractive opportunities in the private sector because what we thought was a level of long term financial security for the future.

Nearly all of us planned our futures based on what we were promised our pension benefits would be. In the years the State shorted the pension payments, it was not because of lack of funds. Instead, it was our short-sighted State prioritizing other projects and interests over its retirees' long-term economic security.

There will be better years, such as Jeff Houch described and hopefully even better ones. But there is no doubt that challenging years will return for the State at some point. History is cyclical. State of Illinois retirees cannot make the same mistakes that the government leaders have made. Those leaders either naively assumed all would be well in the future or more cynically they decided to "kick the can down the road" and let future government leaders figure it out.

If any state's retirees must remain vigilant with guarding and demanding its state government to stay current with its obligations, to take steps to effectively remedy past defaults and delinquencies, and to affirmatively address looming shortfalls, it is the retirees of the State of Illinois.

Most importantly, the pledge of retirees to remain steadfast becomes toothless if it is tens of thousands of retirees individually vowing to "write their congressman" (or their state legislator) when benefits are slashed or denied. It must be tens of thousands of retirees who join with one voice that will have the political impact to stop any diminishment of benefits and to force the State to meet its promises to retirees.

The strongest voice is the Illinois State Employees Association Retirees with its excellent lobbyists, with its retention of skilled legal representation, and with its excellent staffing of its office. Most of all, thank you, members, for years of membership with our association and thank you for your years of faithful payment of dues. Together we will see the benefits promised to be the benefits received.

## ISEA Retirees Budget TAX YEAR 2025

<b>Revenue Actual</b>	<b>Maintenance &amp; Repairs</b> \$ 0	<b>Postage</b> \$ 2,098
<b>Dues</b> \$199,603	<b>Utilities</b> \$ 3,120	<b>Telephone</b> \$ 4,395
<b>Investment Income</b> \$ 60,374	<b>Insurance</b> \$ 3,563	<b>License &amp; Fees</b> \$ 312
<b>Miscellaneous Revenue</b> \$ 11,034	<b>Furn, Fixt, Equip</b> \$ 0	<b>Legal &amp; Accounting</b> \$ 450
<b>Total Revenue</b> \$271,101	<b>Dues &amp; Subscriptions</b> \$ 0	<b>Computer/Maintenance</b> \$ 3,951
<b>Expenditures</b>	<b>Office Supplies</b> \$ 1125	<b>Rent</b> \$ 19,435
<b>Salaries</b> \$142,626	<b>Miscellaneous</b> \$ 146	<b>Board Meeting</b> \$ 1,888
<b>Payroll Taxes</b> \$ 11,291	<b>Printing &amp; Reproduction</b> \$ 3227	<b>Tax Preparation</b> \$ 7,968
<b>Contractual Labor</b> \$ 30,301	<b>Seminars/continuing ED/Travel</b> \$ 439	<b>Total Expenditures</b> \$236,335

## ISEA Retirees Tax Preparation

ISEA Retirees offers tax preparation to our members for a reasonable fee. We are at 2060 W. Iles Ave. - Suite D Springfield, IL 62704 where you may drop off your tax information or many of our members mail their information to us using priority mail the package may be tracked. We complete your federal and state returns and get them back to you for your review ready to be electronically filed. If we've never completed your tax return before, we ask for a copy of last years tax return with all of this year's information.

We do ask for your tax information no later than April 8, 2026 to enable us preparation time before the April 15, 2026 deadline. If you have questions, please call us at: 217-698-6070.