

State of Illinois General Obligation Bonds Presentation

October 4, 2019

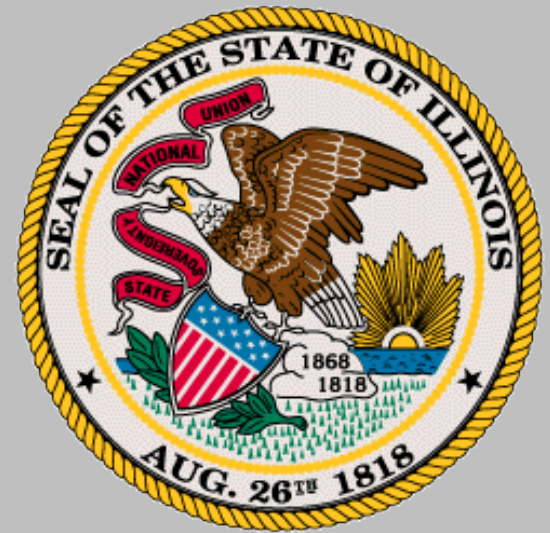


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Presentation Participants

Dan Hynes, Deputy Governor

Mr. Hynes recently served as senior adviser to the Governor's transition committee and as a senior executive at UBS Asset Management in Chicago, following a distinguished 12-year career in public service as the Comptroller for the State of Illinois. Hynes was elected Comptroller in 1998 as the youngest state constitutional officer since World War II. He was re-elected in 2002 and 2006 by wide margins. In 2011, President Barack Obama named Hynes as the United States Observer to the International Fund for Ireland, which makes investments in Northern Ireland for the purpose of promoting peace and stability in the region. He received his Juris Doctor from the Loyola University School of Law and Bachelor of Arts in Economics from the University of Notre Dame.

Alexis Sturm, Director of the Governor's Office of Management and Budget

Mrs. Sturm, who joined GOMB as director in January 2019, has over 20 years of experience in Springfield working on state fiscal policy, debt management, and administration. Most recently, she was the director of cash management and bond reporting for the Office of the Comptroller. She previously worked at GOMB. From 2015 to 2017, she served as chief of staff and deputy director for debt, capital, and revenue and from 1997 to 2004, she worked in senior roles in debt management and revenue and economic analysis. From 2004 to 2015, Ms. Sturm served as director of research and fiscal reporting and senior fiscal advisor for the Office of the Comptroller. She received her Bachelor of Arts in Economics from Miami University and a Master of Arts in Economics from Washington University in St. Louis.

Paul Chatalas, Director of Capital Markets

Mr. Chatalas has more than 25 years of combined public policy and public finance experience, most recently as a Managing Director in US Bancorp's Municipal Products Group. His public finance experience spans more than 15 years and began with UBS Investment Bank in New York. He holds a Master of Public Administration from Columbia University's School of International and Public Affairs. Mr. Chatalas spent several years working on Capitol Hill for members of the U.S. House and Senate, including members of the Budget and Appropriations Committees. He is on the President's Leadership Council of the Field Museum, and currently sits on the Exhibitions Committee of the Board of Trustees.



Recent Legislative Accomplishments Bolster the State's Inherent Credit Strengths

Accomplishments of Spring 2019 Legislative Session

- ✓ Passage of a bipartisan balanced FY 2020 budget
- ✓ Passage of the Fair Income Tax Amendment that will be voted on by Illinoisans in November 2020, along with P.A. 101-008, establishing the rates contingent upon passage of the amendment
- ✓ Passage of the bipartisan \$45 billion Rebuild Illinois capital plan, the largest infrastructure investment in Illinois history
- ✓ Passage of a minimum wage increase
- ✓ Legalization of adult-use cannabis
- ✓ Passage of gaming expansion and legalization of sports betting

Inherent Illinois Credit Strengths

- ✓ Sovereign State with significant revenue flexibility
- ✓ Illinois' economy is the 5th largest in the United States and 18th largest worldwide
- ✓ GO Bond debt service has an irrevocable and continuing appropriation, which allowed for continued debt service payments in the absence of a budget during FY 2016 and FY 2017
- ✓ Issuance of additional GO Bonds is prohibited if debt service on GO Bonds exceeds 7% of the General Funds' and the Road Fund's appropriations, unless waived by the Treasurer and the Comptroller

The Governor and the General Assembly Worked Together in a Bipartisan Manner to Return Sensible Governance to Illinois



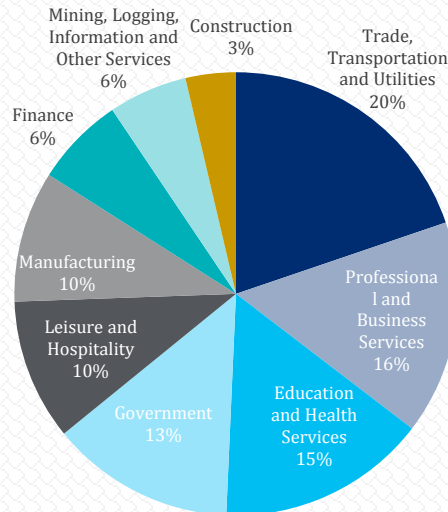
1. Illinois' Strong and Diverse Economy



Illinois' Strong Economic Foundation

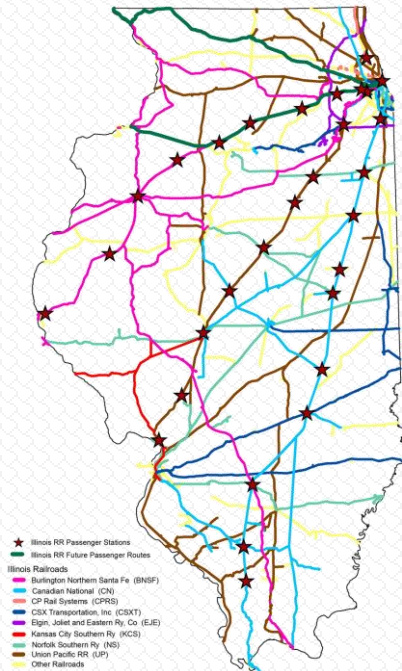
Strong and Diverse Economy

- Broad employment base with no industry accounting for more than 20%¹
- Illinois is well-positioned for long-term stability through economic cycles
- State's diversified economy is a major attraction for workers and recent graduates across the nation



Expansive Transportation Network

- The State is home to the 3rd and 27th busiest U.S. airports in O'Hare and Midway²
- Illinois is the only state where all 7 class I railroads in the United States operate.
- Five Major Trucking Routes Intersect in the State



Highly Educated Population

- Illinois is home to top ranked universities bringing talented and educated individuals to the State

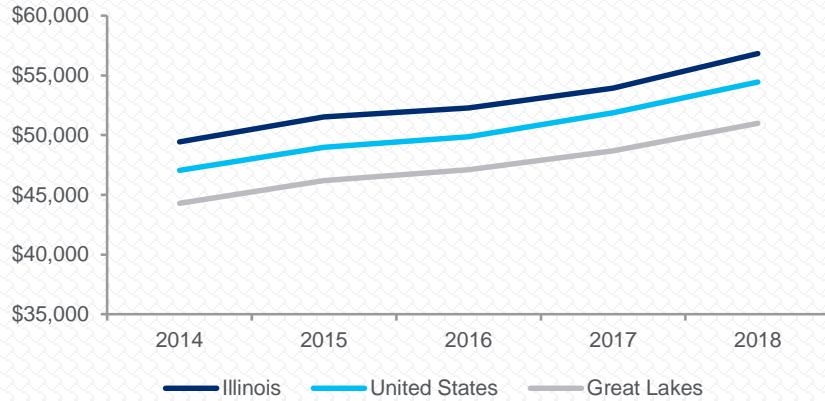


1. Bureau of Economic Analysis, as of June 2019 2. FAA, Commercial Service (Rank Order) based on Calendar Year 2018 Preliminary

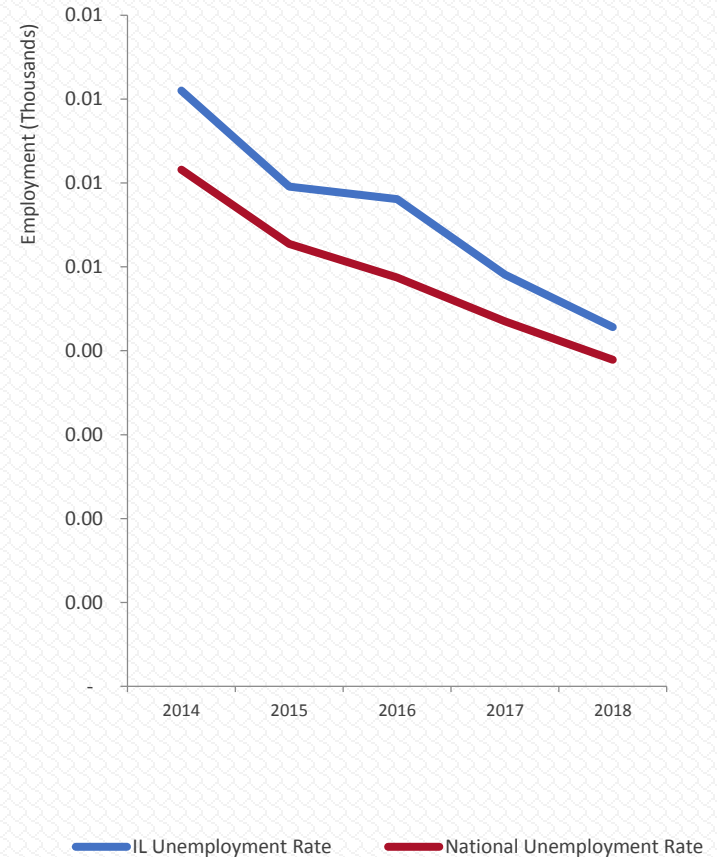


Illinois' Robust Economic Indicators

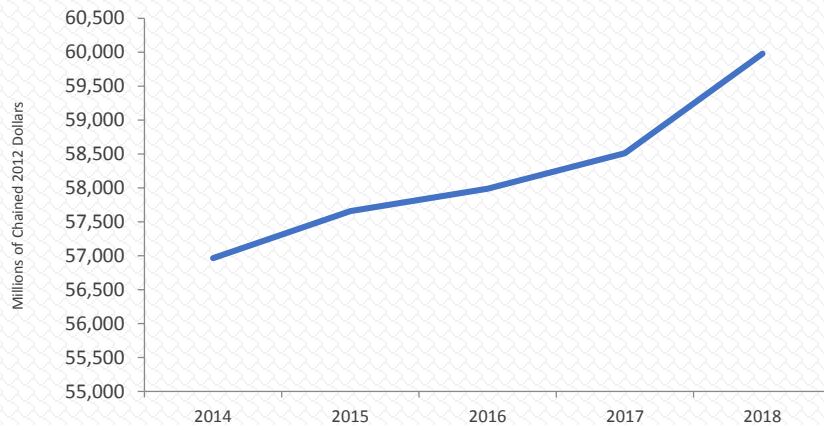
Per Capita Personal Income¹



Average Non-farm Employment and Unemployment^{1,2}



Illinois Real GDP Per Capita³



Source: Bureau of Economic Analysis; Bureau of Labor Statistics; U.S. Census Bureau
 Note: 1. YTD averages, as of 9/2019 2. As of 3/2019, not seasonally-adjusted 3. Bureau of Economic Analysis, 3/2019

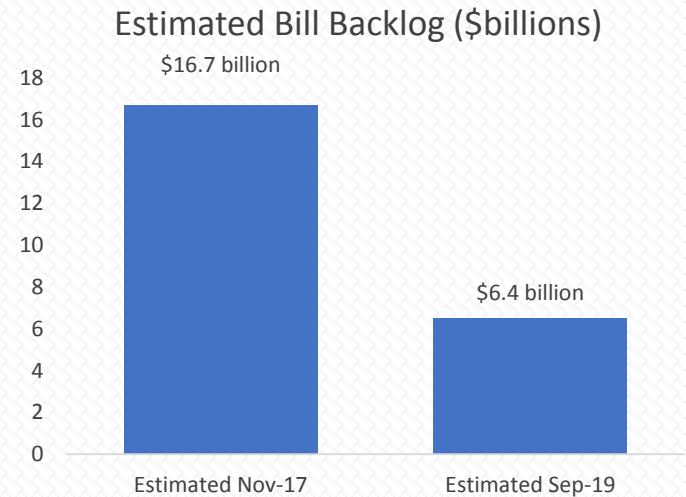


2. Enacted FY 2020 Budget and FY 2019 Budget Results



Update on Accounts Payable Backlog

- The General Funds total of budget basis accounts payable and Section 25 Liabilities outstanding as of June 30, 2018 was \$7.8 billion
- The State is authorized to issue up to \$1.2 billion of Section 7.6 General Obligation bonds to pay backlogged bills
- The Comptroller's estimate of the backlog as of September 30, 2019 was approximately \$6.4 billion



| End of Fiscal Year General Funds Accounts Payable (\$millions) | | | | | |
|--|--------------|--------------|--------------|---------------|--------------|
| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
| General Funds Budget Basis Accounts Payable ¹ | \$4,005 | \$3,521 | \$3,789 | \$9,061 | \$5,823 |
| General Funds Section 25 Liabilities ² | 1,622 | 1,598 | 3,307 | 5,932 | 2,004 |
| Total General Funds Accounts Payables | 5,627 | 5,119 | 7,096 | 14,993 | 7,827 |
| Section 25 Liabilities - Other State Funds | 429 | 316 | 956 | 162 | 214 |

Table Source: Illinois Office of the Comptroller data. 1. These amounts include General Funds Lapse Period Transactions as reported in the Office of the Comptroller's Traditional Budgetary Financial Report. 2. Section 25 Liabilities are incurred in one fiscal year and payable from future fiscal year appropriations. This amount is the General Funds portion of Section 25 liabilities as reported in the Section 25 Deferred Liabilities report on the Comptroller's website.



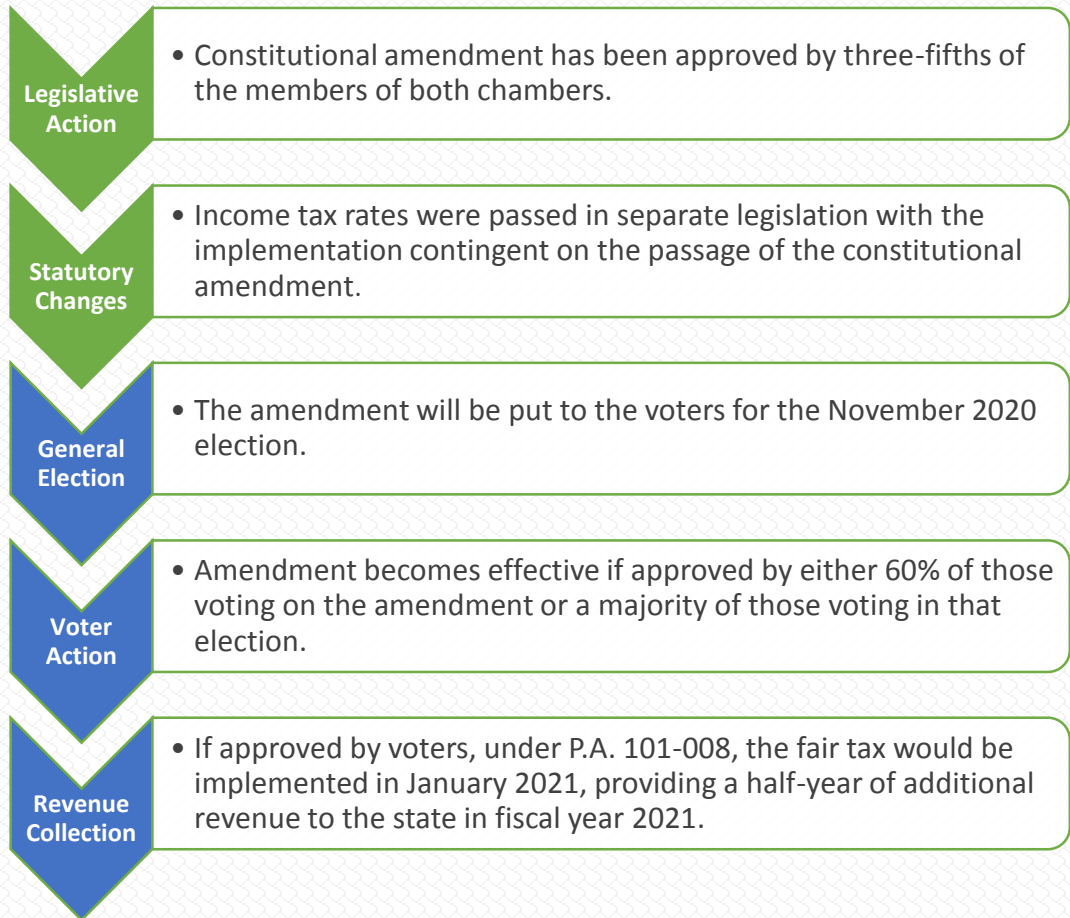
3. The Fair Income Tax



The Fair Income Tax Proposal Provides Tax Relief for 97% of Illinois Households While Helping to Address the State's Fiscal Challenges

In addition ...

- ✓ 97% of earners get tax relief
- ✓ \$3.6 billion in additional revenue
- ✓ 20% Increase in Property Tax Credits
- ✓ \$100 per Child Tax Credit²



¹Once income reaches the top threshold, entire income is taxed at 7.99% rate

²Income thresholds for property tax credits remain unchanged from current law; for Child Tax Credit, single filers eligible up to \$80,000 in net income and married/joint filers eligible up to \$100,000 in net income, with credit phase-out starting at \$40,000 and \$60,000, respectively



4. Pension Updates



End of Fiscal Year 2018 Pension Status (\$ thousands)

| | SERS | TRS | SURS | GARS | JRS | Total | Self-Managed Plan of SURS ⁽¹⁾ |
|---|--------------|--------------|---------------|-----------|-------------|---------------|--|
| Beginning Net Assets ⁽²⁾ | \$16,530,180 | \$49,375,665 | \$ 18,484,820 | \$ 54,349 | \$ 941,804 | \$ 85,386,818 | \$ 2,170,251 |
| Income | | | | | | | |
| Member Contributions | \$ 254,442 | \$ 938,037 | \$ 282,726 | \$ 1,255 | \$ 14,296 | \$1,490,756 | \$ 84,219 |
| State and Employer Contributions | 1,929,175 | 4,179,758 | 1,607,880 | 21,155 | 135,962 | \$7,873,930 | 69,432 |
| Investment Income | 1,257,040 | 4,049,272 | 1,499,829 | 3,734 | 69,950 | \$6,879,825 | 259,006 |
| Total | \$3,440,657 | \$9,167,067 | \$3,390,435 | \$26,144 | \$220,208 | \$16,244,511 | \$412,657 |
| Expenditures | | | | | | | |
| Benefits and Refunds | \$ 2,492,301 | \$ 6,551,634 | \$2,539,783 | \$ 23,328 | \$ 148,629 | \$11,755,675 | \$ 82,004 |
| Administration | 15,258 | 21,551 | 14,397 | 348 | 897 | \$ 52,451 | 452 |
| Total | \$2,507,559 | \$6,573,185 | \$2,554,180 | \$23,676 | \$149,526 | \$11,808,126 | \$82,456 |
| Ending Net Assets (Fair value) | \$17,463,278 | \$51,969,547 | \$19,321,075 | \$56,816 | \$1,012,485 | \$89,823,201 | \$2,500,452 |
| Actuarial Value of Assets | 17,478,140 | 51,730,890 | 19,347,886 | 57,618 | 1,012,757 | \$89,627,291 | N/A |
| Actuarial Accrued Liabilities | 47,925,683 | 127,019,330 | 45,258,751 | 375,779 | 2,721,853 | \$223,301,396 | N/A |
| UAAL (Fair Value) | 30,462,405 | 75,049,783 | 25,937,676 | 318,962 | 1,709,368 | \$133,478,194 | N/A |
| UAAL (Actuarial Value) ⁽³⁾ | 30,447,543 | 75,288,440 | 25,910,865 | 318,160 | 1,709,096 | \$133,674,104 | N/A |
| Funded Ratio (Fair Value) | 36.4% | 40.9% | 42.7% | 15.1% | 37.2% | 40.2% | N/A |
| Funded Ratio (Actuarial Value) ⁽³⁾ | 36.5% | 40.7% | 42.7% | 15.3% | 37.2% | 40.1% | N/A |

Source: Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2018. Table may not add due to rounding. Certain information was provided by the Retirement Systems.

- (1) The SURS Self-Managed Plan ("SMP") is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.
- (2) Reflects valuation of assets on a fair value basis as of June 30, 2017.



Review of Recent Pension Developments

2017

- Smoothing of Changes in Actuarial Assumptions
 - Beginning with FY 2018, changes in actuarial assumptions were smoothed over a 5-year period. Changes in actuarial assumptions that first applied in FY 2014 – 2017 are being retroactively smoothed over a 5-year period beginning with the year the change first applied

2018

- Accelerated Pension Benefit Programs (P.A. 100-587)
 - The Pension Buyout Program: Eligible members of SERS, TRS and SURS who have terminated service may forfeit all rights to future benefit payments in exchange for an accelerated pension benefit payment equal to 60% of the present value of the pension benefit to which the member is entitled
 - The AAI Reduction Program: At the time of retirement, eligible Tier 1 members of SERS, TRS and SURS may forfeit the 3%, compounded automatic annual increase (“AAI”) in exchange for (i) a 1.5% non-compounded AAI and (ii) an accelerated pension benefit payment from the State equal to 70% of the difference in the present value of such AAIs
 - The accelerated pension benefit payments will be funded using proceeds from the issuance of State Pension Obligation Acceleration Bonds. There is remaining authorization for \$700 million of such bonds
 - Public Act 101-0010 (enacted June 5, 2019) extended the end date of the programs from June 30, 2021 to June 30, 2024



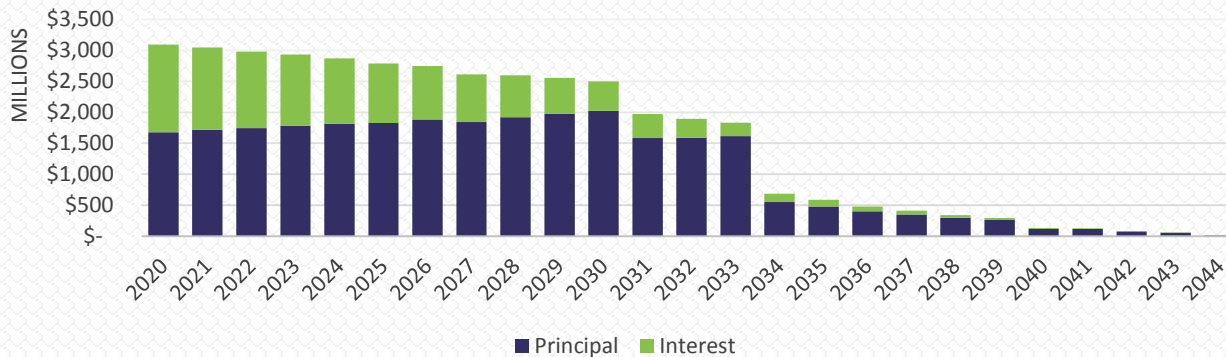
5. Debt Overview



General Obligation Bond Overview

- General Obligation bonds are backed by the full faith and credit of the State
- There is a continuing appropriation in place to ensure bond repayment without action by the General Assembly
- GOBRI is a separate fund in the Treasury that is dedicated to the payment of debt service on GO bonds and short-term debt
- Segregation of funds for debt service begins 12 months in advance for principal payments and 6 months in advance for interest payments
- As of October 1, 2019, all of the State’s outstanding debt is fixed rate, with no variable rate debt or interest rate swap agreements

GENERAL OBLIGATION FISCAL YEAR DEBT SERVICE



| Current Par Outstanding ¹ | |
|---|-----------------------|
| 7.6 Bonds | \$5.5 Billion |
| Capital Improvement and Refunding Bonds | \$13.1 Billion |
| Pension Bonds | \$8.9 Billion |
| 7.7 Bonds | \$0.3 Billion |
| Total | \$27.7 Billion |

| Outstanding Debt | |
|------------------|------|
| Fixed Rate | 100% |

1. Amounts are as of October 1, 2019



Strength of the State's GO Pledge

- Monies are transferred monthly to the GOBRI Fund and, by law, are used for the payment of GO Bonds issued under the Bond Act and for the payment of Short-Term Debt
- The Bond Act constitutes an irrevocable and continuing authority for and direction to the Treasurer and Comptroller to make the necessary transfers to the GOBRI Fund
 - The State can draw from all State funds in the State Treasury that are not restricted by law to another use if needed to pay debt service on GO bonds
- As of October 1, 2019, \$1.5 billion was available in GOBRI

Fiscal Year End All Fund Cash Balances²



Transfers to the GOBRI Fund (\$ Millions)²

| | 2017 | 2018 | 2019 |
|-----------------------------|----------------|----------------|----------------|
| General Revenue Fund | | | |
| Capital Bonds | \$626 | \$797 | \$670 |
| Pension Bonds | 1,609 | 1,576 | 1,243 |
| Section 7.6 Bonds | - | 527 | 782 |
| Pension Acceleration | - | - | 7 |
| GRF subtotal | \$2,235 | \$2,900 | \$2,702 |
| Road Fund | 305 | 349 | 339 |
| School Infrastructure Fund | 115 | 172 | 107 |
| Capital Projects Fund | 477 | 286 | 431 |
| TOTAL³ | \$3,132 | \$3,707 | \$3,579 |

1. Does not include Federal Trust Funds. Includes GOBRI. June 30, 2016 balance shows an increase from FY 2015 due in part to the late enactment of FY 2016 appropriations for many State funds.
 2. Does not include debt service transfers on short-term debt as may have been from time to time outstanding
 3. Totals may not add due to rounding.



6. Timeline and Contacts



Tentative Transaction Timeline and Contacts

| Date* | Event* |
|---------------------------|--------------------------|
| October 21 st | Receive Rating |
| November 6 th | Competitive Bond Sale(s) |
| November 21 st | Closing |

| October 2019 | | | | | | |
|--------------|----|----|----|----|----|----|
| S | M | T | W | Th | F | S |
| | | 1 | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 | | |

| November 2019 | | | | | | |
|---------------|----|----|----|----|----|----|
| S | M | T | W | Th | F | S |
| | | | | | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 | 29 | 30 |

State of Illinois

Governor's Office of Management and Budget

Paul Chatalas

Director of Capital Markets

Paul.Chatalas@illinois.gov

(312) 814-0023

Municipal Advisor

PFM Group

Adela Cepeda

Managing Director

cepedaa@pfm.com

(312) 523-2425



*Preliminary, subject to change