

State of Illinois
**General Obligation Bonds,
Series of October 2020
Investor Presentation**

October 8, 2020



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Presentation Participants

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

Paul Chatalas, Director of Capital Markets



1. Plan of Finance



Series of October 2020 Capital and Pension Buyout Bonds – Issuance Terms and Schedule

Financing Overview	
Use of Proceeds	The Bonds are issued to (i) fund accelerated pension benefit payments, (ii) provide funds to finance capital projects under the State’s capital program and (iii) pay costs of issuance of the Bonds
Security	The Bonds are direct, general obligations of the State and, pursuant to Section 9(a) of Article IX of the Illinois Constitution and the General Obligation Bond Act of the State of Illinois, as amended (the “Bond Act”), the full faith and credit of the State is pledged for the punctual payment of interest on all bonds issued under the Bond Act, including the Bonds, as it comes due and for the punctual payment of the principal of all bonds issued under the Bond Act, including the Bonds, at maturity, or on any earlier redemption date, and redemption premium, if any. These provisions are irrevocable until all bonds issued under the Bond Act, including the Bonds, are paid in full as to both principal and interest
Interest and Principal Payment Dates*	April 1 and October 1, commencing April 1, 2021; with principal due each October 1, beginning October 1, 2021
Optional Redemption	10 Year Par Call: Series B&C
Mode	Fixed Rate Bonds, level principal amortization
Ratings	Baa3 (Negative) / BBB- (Negative) / BBB- (Negative) (Moody’s/S&P/Fitch)
Sale Date*	October 20 th
Closing*	October 27 th

*Preliminary, subject to change.



Recent Legislative Accomplishments Bolster the State's Inherent Credit Strengths

Governor's Accomplishments

- ✓ A State budget passed on time two years in a row
- ✓ Resolute actions to limit the pandemic's impact on public health and the economy
- ✓ Investment in the State through Rebuild Illinois - a bipartisan historic capital plan
- ✓ Legalization of adult-use cannabis with strong social equity provisions
- ✓ Consolidation of suburban and downstate police and firefighter pension fund investment
- ✓ Initiatives to provide equal pay for women and minorities, to expand apprenticeships and to set strong diversity goals in public works projects

Inherent Illinois Credit Strengths

- ✓ Sovereign State with significant revenue flexibility
- ✓ Illinois' economy is the 5th largest in the United States and 18th largest worldwide¹
- ✓ Statutory provisions give priority to debt service over other State expenditures
- ✓ GO Bond debt service has an irrevocable and continuing appropriation, insulating it from political debates
- ✓ GO Bond debt service is limited by statute, unless waived by the Treasurer and the Comptroller

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

1. As of 2019



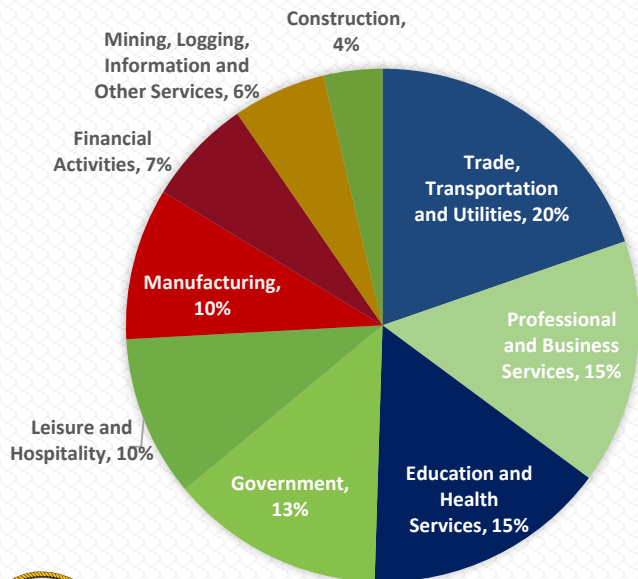
2. Illinois' Strong and Diverse Economy



Illinois' Strong Economic Foundation

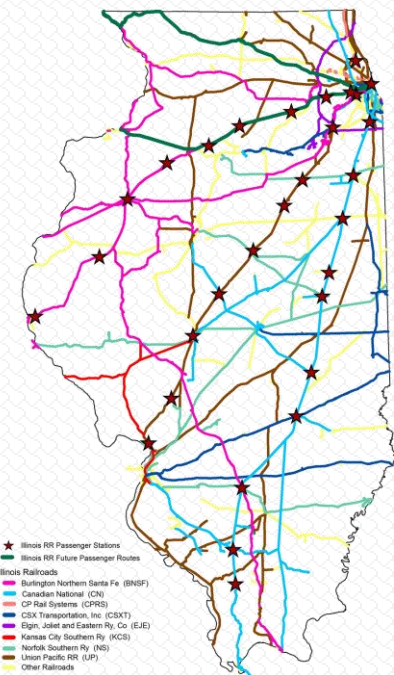
Strong and Diverse Economy

- 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 deep and diversified economy is a major attraction for workers and recent graduates across the nation



Expansive Transportation and Logistics Network

- The State is home to the 3rd and 28th busiest U.S. airports in O'Hare and Midway²
- Illinois is the only state where all 7 class 1 railroads in the United States operate³



Highly Educated Population

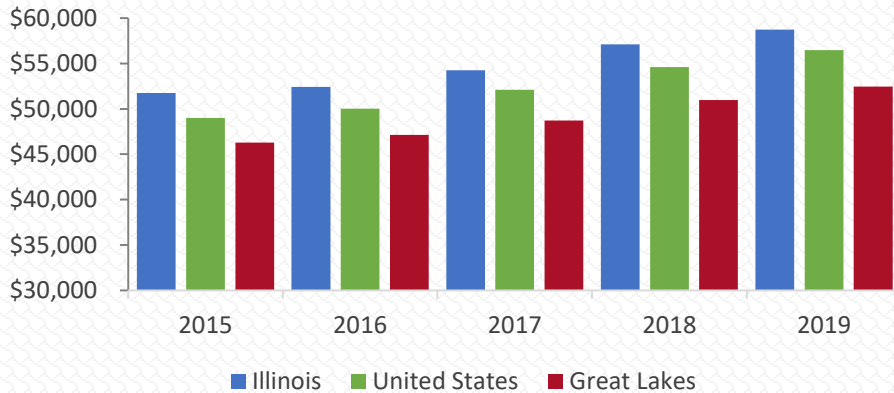
- Illinois is home to top ranked universities bringing talented and educated individuals to the State
- 35.8% of Illinois residents have college degrees, above the US at 33.1% and the Midwest region at 31.6%⁴



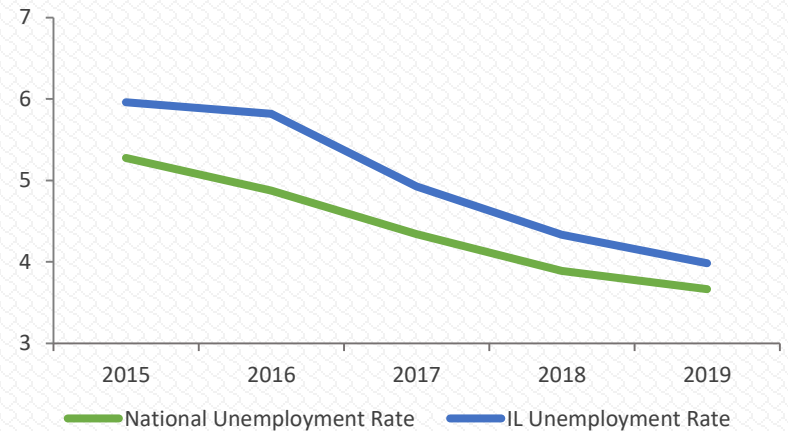
1. Bureau of Labor Statistics, preliminary, as of August 2020 2. FAA, Commercial Service (Rank Order) based on Calendar Year 2019 data as of September 25, 2020 3. IDOT, <http://idot.illinois.gov/transportation-system/Network-Overview/rail-system/index> 4. 2019 American Community Survey 1 year estimates, those with a bachelor's degree or higher as a share of population 25 years or older.

Illinois' Robust Economic Indicators

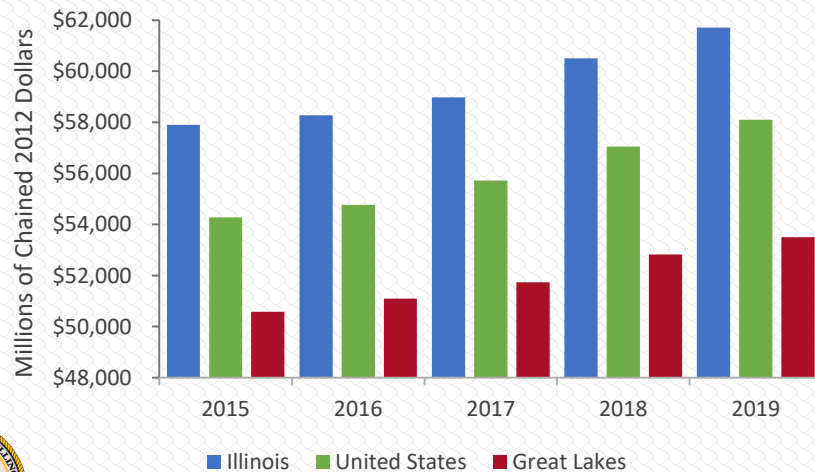
Per Capita Personal Income¹



Average Non-farm Unemployment Rate (%)²



Illinois Real GDP Per Capita³



- Illinois' per capita income is ranked 1st among the Great Lakes region⁴ and 3rd among the 10 most populous states
- Illinois' real GDP per capita exceeds that of the Great Lakes states and of the U.S. overall
- Illinois is home to 37 Fortune 500 companies, ranking fourth in the U.S.⁵



1: Bureau of Economic Analysis as of September 24, 2020 2. Bureau of Labor Statistics, seasonally adjusted, 2019 numbers 3. Bureau of Economic Analysis, as of April 7, 2020 4. Great Lakes states include Illinois, Indiana, Michigan, Ohio and Wisconsin 5. Fortune 500 rankings for 2020

3. FY 2020 Update and Enacted FY 2021 Budget



Updated FY 2020 Results

- ✓ FY 2020 State Source revenues totaled \$34.5 billion, a \$1.1 billion decrease from FY 2019
- ✓ Largely due to the income tax filing date extension, FY 2020 individual income tax revenue dropped by 4.0% compared to FY 2019
- ✓ FY 2020 General Funds expenditures are estimated to total \$39.9 billion, \$391 million lower than FY 2019
- ✓ A \$210 million budgetary surplus is estimated for FY 2020

State of Illinois General Funds Financial Walkdown				
(\$ in millions)	Actual	Estimated	Change: FY 2020 to FY 2021 Forecast	
	FY 2019	FY 2020	\$	%
General Fund Resources				
State Sources: Revenues				
Net Individual Income Taxes	\$19,236	\$18,471	(765)	-4.0%
Net Corporate Income Taxes	2,389	2,081	(308)	-12.9%
Net Sales Taxes	8,409	8,255	(155)	-1.8%
Total Income and Sales Taxes	\$ 30,034	\$ 28,807	(1,227)	-4.3%
Other State Revenues	\$3,526	\$3,271	(255)	-7.2%
Transfers In	2,035	2,431	396	19.5%
Total State Sources	\$ 35,595	\$ 34,509	(1,086)	-3.1%
Federal Sources				
Total Base Resources	\$ 39,195	\$ 38,060	(1,135)	-3.0%
Interfund Borrowing and Fund Reallocations	\$ 250	\$ 462	212	84.8%
Treasurer's Investment Borrowing	750	400	(350)	-46.7%
Short Term Borrowing Proceeds	0	1,198	1,198	0.0%
Total General Fund Resources	\$ 40,195	\$ 40,120	(75)	-0.2%
General Funds Expenditures				
Operating Expenditures	\$ 36,395	\$ 37,324	929	2.6%
GO Bond Debt Service Transfers	2,701	1,870	(832)	-30.8%
Statutory Transfers Out	433	440	7	1.6%
Interfund Borrowing Repayment	10	270	260	2600.0%
Treasurer's Investment Borrowing Repayment	763	7	(756)	-99.1%
Total General Fund Expenditures	\$ 40,301	\$ 39,910	(391)	-1.0%



FY2020 and FY2021 General Funds Revenues Summary

- ✓ The \$43 billion fiscal year 2021 General Funds budget provides stability during the current economic situation.
- ✓ The budget agreement included additional tools to adapt to COVID situation through authorizing legislation to allow for up to \$5 billion in borrowing from the Federal Reserve's Municipal Liquidity Facility.
- ✓ Total Base Resources are estimated to total \$36.8 billion, a \$1.29 billion, or a 3.4% decrease from FY2020 base revenues.
- ✓ An additional \$1.3 billion is forecasted to be deposited into the General Funds if income tax rates under PA 101-0008 go into effect on January 1, 2021.

State of Illinois General Funds Financial Walkdown				
(\$ in millions)	Estimated	Forecast	Change: FY 2020 to FY 2021 Forecast	
	FY 2020	FY 2021	\$	%
General Fund Resources				
State Sources: Revenues				
Net Individual Income Taxes	\$18,471	\$18,352	(119)	-0.6%
Net Corporate Income Taxes	2,081	2,039	(42)	-2.0%
Net Sales Taxes	8,255	7,846	(409)	-5.0%
Total Income and Sales Taxes	\$ 28,807	\$ 28,237	(570)	-2.0%
Other State Revenues	\$3,271	\$3,112	(159)	-4.9%
Transfers In	2,431	1,736	(695)	-28.6%
Total State Sources	\$ 34,509	\$ 33,085	(1,424)	-4.1%
Federal Sources	\$3,551	\$3,684	133	3.7%
Total Base Resources	\$ 38,060	\$ 36,769	(1,291)	-3.4%
Interfund Borrowing and Fund Reallocations	\$ 462	\$ 150	(312)	-67.5%
Treasurer's Investment Borrowing	400	0	(400)	-100.0%
PA 101-0008 Net Individual/Corp. Income Tax Revenues ¹	0	1,274	1,274	0.0%
Federal Stabilization/Municipal Liquidity Facility	0	5,000	5,000	0.0%
Short Term Borrowing Proceeds	1,198	0	(1,198)	-100.0%
Total General Fund Resources	\$ 40,120	\$ 43,193	3,073	7.7%

¹ Assumes that P.A. 101-0008 takes effect January 1, 2021, adjusting individual and corporate income tax rates and generating an estimated \$1.2 billion in FY 2021 additional revenue for the general funds, which also requires approval of SJRCA 1 by the people of the State. If P.A. 101-0008 does not take effect, and no other additional revenues are realized, then estimated revenues for FY 2021 will decline by \$1,274 million.



General Funds Monthly Revenues: July 2019 – September 2020 (\$ in Millions)

	Fiscal Year 2020												Fiscal Year 2021		
	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
State Source Revenues:															
Individual Income Tax	1,332	1,207	1,723	1,371	1,262	1,492	1,910	1,439	1,980	1,793	1,250	1,712	2,339	1,453	1,676
Corporate Income Tax	75	41	451	78	103	383	68	34	167	291	58	331	323	70	477
Sales Tax	764	759	713	725	749	798	736	596	647	544	564	661	734	767	745
Other Sources/Transfers In	803	554	597	510	341	432	423	420	337	339	316	631	378	338	633
State Source Revenues	2,974	2,561	3,484	2,684	2,455	3,105	3,137	2,488	3,131	2,967	2,188	3,335	3,775	2,629	3,531
Federal Sources	353	97	413	250	210	61	353	84	464	267	44	955	304	329	154
Total Base Revenues	3,327	2,658	3,897	2,934	2,666	3,166	3,490	2,572	3,595	3,234	2,232	4,290	4,078	2,957	3,685
Short-Term Borrowing	0	0	0	0	0	0	0	0	0	0	0	1,198	0	0	0
Interfund Borrowing	0	0	0	0	150	0	0	0	105	207	0	0	0	0	0
Treasurer's Investment Borrowing	0	0	400	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenues	3,327	2,658	4,297	2,934	2,816	3,166	3,490	2,572	3,700	3,441	2,232	5,488	4,078	2,957	3,685

- ✓ Income tax revenues in July 2020 were higher than July 2019 due to the delay in the final income tax deadline from April 2020 to July 2020
- ✓ General Funds sales tax deposits in the first quarter of Fiscal Year 2021 were close to prior year levels

FY2020 and FY2021 General Funds Expenditures Summary

- ✓ The FY2021 General Funds budget has estimated expenditures totaling \$43.1 billion.
- ✓ Debt service transfers for GO pension, Section 7.6 and capital bonds are projected to total \$1.9 billion.
- ✓ FY 2021 forecast expenditures also reflect the repayment of \$95 million of interfund borrowing, \$400 million in Treasurer’s investment borrowing, and \$1.2 billion in short term borrowing.
- ✓ The FY 2021 budget estimates a surplus of \$126 million with the inclusion of revenues resulting from PA 101-0008

State of Illinois General Funds Financial Walkdown				
(\$ in millions)	Estimated	Forecast	Change: FY 2020 to FY 2021 Forecast	
	FY 2020	FY 2021	\$	%
Total General Fund Resources	\$ 40,120	\$ 43,193	3,073	7.7%
General Funds Expenditures				
Operating Expenditures	\$ 37,324	\$ 39,036	1,712	4.6%
GO Bond Debt Service Transfers	1,870	1,867	(3)	-0.1%
Statutory Transfers Out	440	423	(16)	-3.7%
Interfund Borrowing Repayment	270	95	(175)	-64.8%
Treasurer’s Investment Borrowing Repayment	7	400	393	5938.1%
Short Term Borrowing Repayment	-	1,246	1,246	0.0%
Total General Fund Expenditures	\$ 39,910	\$ 43,067	3,157	7.9%



Potential Public Act 101-0008 Rate Changes

- ✓ In spring 2019, the General Assembly adopted SJRCA 0001 which would remove Illinois' constitutional requirement for a flat income tax rate.
- ✓ This constitutional amendment will be voted on in the November 2020 general election.
- ✓ Concurrently with SJRCA 0001, Public Act 101-0008 was enacted, which specifies new tax rates that will take effect on January 1, 2021 if the constitutional amendment is adopted.
- ✓ Public Act 101-0008 creates six separate marginal tax rates; it is estimated this rate structure would reduce tax bills for approximately 97% of the State's tax filers.
- ✓ Only households earning more than \$250,000 would pay more if Public Act 101-0008 goes into effect.

- ✓ Taxpayers who file as "single" reach the top tax rate of 7.99 percent when their net income exceeds \$750K; taxpayers who file as "married, filing jointly" reach the top rate when their net income exceeds \$1.0 million.
- ✓ The corporate income tax rate, a flat rate, matches the top individual income tax rate of 7.99 percent.

Public Act 101-0008 Income Tax Rates		
<u>Marginal Rates</u>	<u>Net Income Level, Single Filers</u>	<u>Net Income Level, Joint Filers</u>
4.75%	\$0 - \$10,000	\$0 - \$10,000
4.90%	\$10,001 - \$100,000	\$10,001 - \$100,000
4.95%	\$100,001 - \$250,000	\$100,001 - \$250,000
7.75%	\$250,001 - \$350,000	\$250,001 - \$500,000
7.85%	\$350,001 - \$750,000	\$500,001 - \$1,000,000
7.99%	Over \$750,000	Over \$1,000,000

At the top rate, the 7.99% rate applies to all net income.



4. Pension Updates



Pension Overview

- The State provides funding for five systems – the Teachers’ Retirement System, the State Universities Retirement System, the State Employees’ Retirement System, the Judges’ Retirement System and the General Assembly Retirement System
- Actuarial Assets as of FY 2019 for the 5 systems combined are \$92.6 billion and the Asset Market Value is \$92.6 billion
- The State Retirement Systems, in aggregate, were funded at 40.3% as of FY 2019 based on the asset smoothing method and 40.3% using asset market value; individual percentages for each fund vary
- FY 2019 State contributions to the retirement systems totaled \$8.5 billion
- The systems are required to be 90% funded by 2045
- Preliminary FY 2020 information will be available in November

History of Employer Contributions (\$millions)

Fiscal Year	Amount Contributed ¹	Actuarially Required Contribution	Percentage Contributed ²
2016	7,501.9	8,388.4	89.4%
2017	7,803.6	10,422.7	74.9%
2018	7,788.9	11,882.4	65.5%
2019	8,541.5	12,794.5	66.8%

Investment Rate of Return Assumptions Used by the Retirement Systems

	2010	2019
TRS	8.50%	7.00%
SURS	7.75%	6.75%
SERS	7.75%	6.75%
GARS	8.00%	6.50%
JRS	7.00%	6.50%
National Median³		7.25%



Notes: Annual Actuarial valuations of the Retirement Systems as of June 30, 2019. Comprehensive Annual Financial Reports of the Retirement Systems for the fiscal years ending June 30, 2010 and June 30, 2019.

1. Includes all State Funds. TRS also includes local employers and federal funds that count towards the Actuarially Required Contribution (ARC). 2. The State's percentage contributed declined in FY 2017 primarily as a result of TRS establishing a 20-year closed amortization period in calculating its Actuarially Required Contribution (ADC). This amortization period, which is shorter than that used in calculating the Required Annual Statutory Contribution, causes the ADC for TRS to substantially exceed the Required Annual Statutory Contribution which the State is authorized to pay under the Pension Code. 3. NASRA Issue Brief: Public Pension Plan Investment Return Assumptions, February 2020

Update on Accelerated Pension Benefit Programs

- 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
- Public Act 101-0010 (enacted June 5, 2019) extended the end date of the programs from June 30, 2021 to June 30, 2024
- Updates:
 - As of September 30, 2020, the balance in the Pension Obligation Acceleration Bond Fund was approximately \$47 million, meaning approximately \$174 million of the May 2020 proceeds have been spent out of the fund
 - As of September 30, 2020, TRS’ AAI Reduction Program participation was 18.5% and its Pension Buyout Program participation was 10.4%
 - As of September 22, 2020, SERS’ AAI Reduction Program participation was 26.4% and its Pension Buyout Program participation was 1%

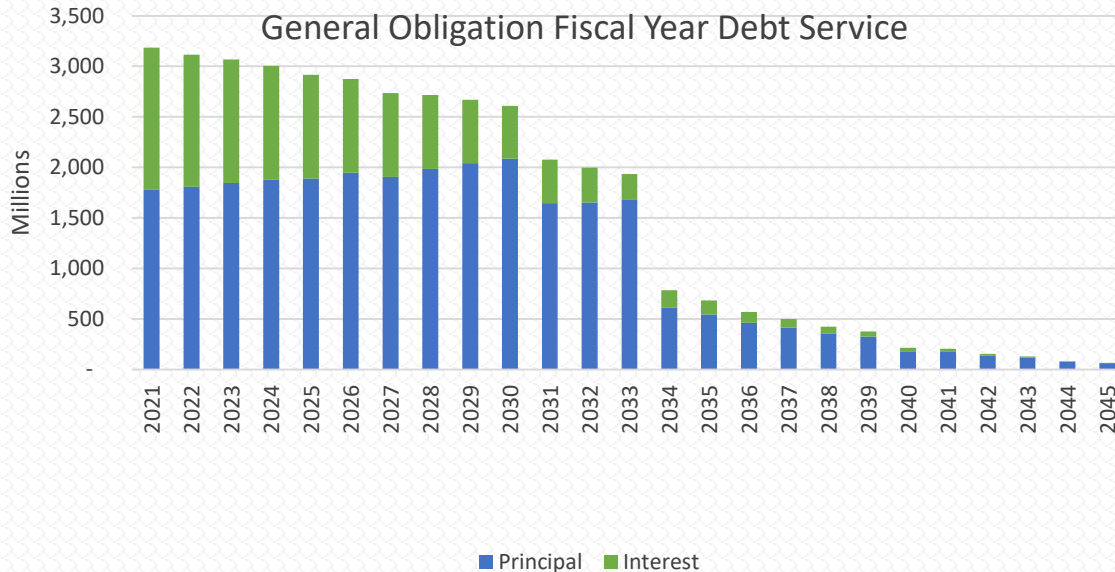


5. Debt Overview

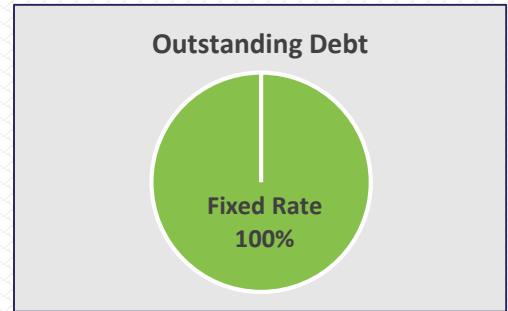


General Obligation Bond Overview

- 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, 2020, all of the State’s outstanding debt is fixed rate, with no variable rate debt or interest rate swap agreements



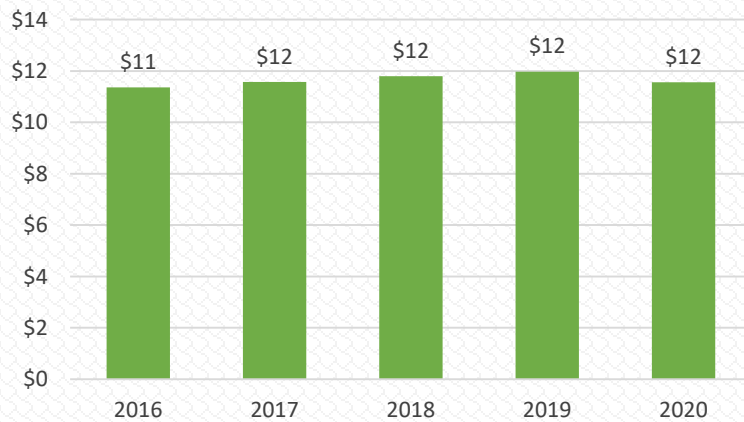
Par Outstanding as of September 1, 2020	
Bill Backlog Bonds	\$5.0 Billion
Capital Improvement and Refunding Bonds	\$13.2 Billion
Pension Funding Bonds	\$8.6 Billion
Pension Acceleration Bonds	\$0.5 Billion
Total	\$27.3 Billion



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, 2020, approximately \$1.5 billion was available in GOBRI

Fiscal Year End All Fund
Cash Balances (\$ Billions)¹



Transfers to GOBRI for Payment of Debt Service²
(\$ in millions)

	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual
General Revenue Fund					
Capital Bonds	\$557	\$626	\$797	\$670	\$436
Pension Bonds	1,423	1,609	1,576	1,242	646
Section 7.6 Bonds	-	-	527	782	757
Pension Acceleration	-	-	-	7	31
GRF subtotal	1,979	2,235	2,899	2,701	1,870
Road Fund	334	305	349	339	379
School Infrastructure Fund	212	115	172	107	145
Capital Projects Fund	533	477	285	431	638
Total³	\$3,057	\$3,133	\$3,706	\$3,579	\$3,031

1. Does not include Federal Trust Funds. Includes GOBRI.
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 20 th	Competitive Bond Sale(s)
October 27 th	Closing

September 2020						
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			

October 2020						
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

State of Illinois

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*Preliminary, subject to change

Appendix – Key Staff Bios



Presentation Participants

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

Ms. 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.

