



CITY OF CHICAGO  
MAYOR RAHM EMANUEL

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# STRENGTHENING CHICAGO'S PENSIONS





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## LOOKING AHEAD: SOME VIABLE SOLUTIONS, CONT'D

### BENEFITS OF A FUND STABILIZATION BOND

The fund stabilization bond is like refinancing a mortgage; it lowers the interest rate you pay but doesn't change your total debt. It also wouldn't extend the time to repay the debt.

All proceeds would be deposited into the pensions, immediately improving their health (funded status). The mayor is recommending that the city council vet a \$10 billion proposal.

### IMPROVED RETIREMENT SECURITY



**2052** the funds would reach 50 percent funded on current path.

**2019** the funds would reach 50 percent funded under fund stabilization.

### REDUCING TAXPAYER BURDEN

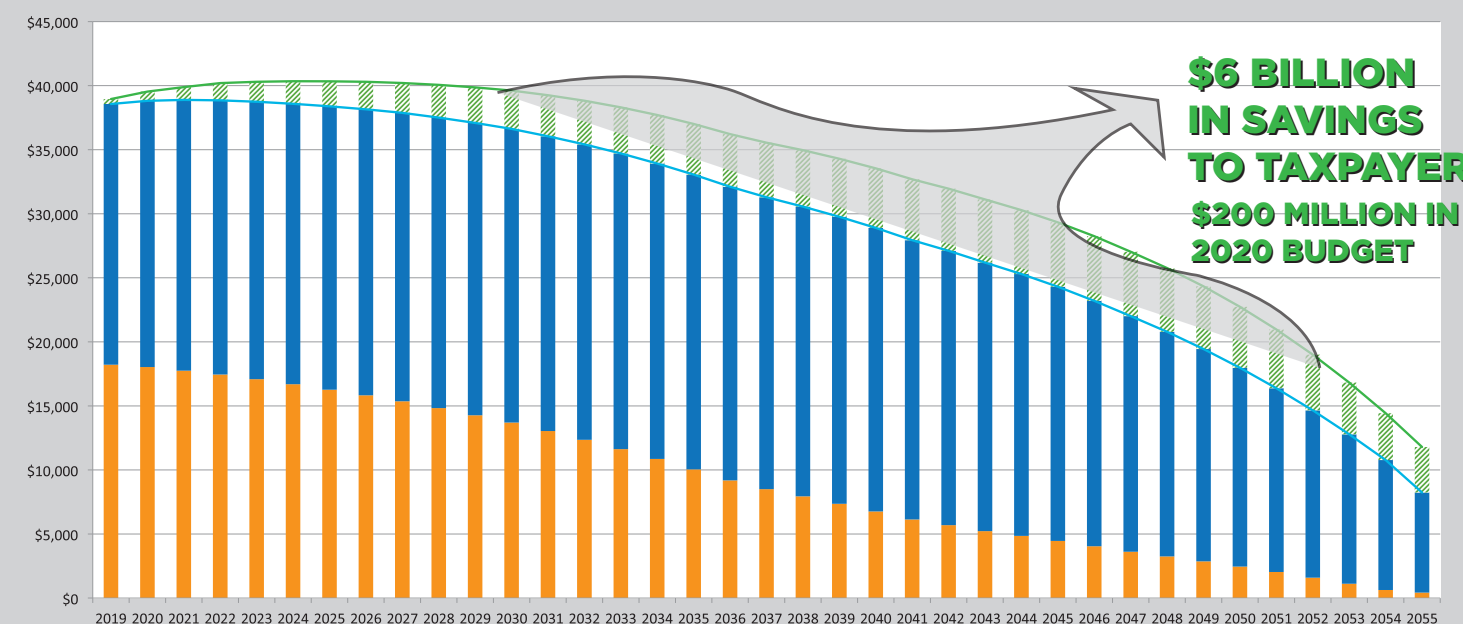
Reducing the interest rate on the City's pension debt would mean that taxpayers would be liable for less.

### City of Chicago's Debt Stays Level: \$38.3B

Source	Current Liability/Debt Outstanding*	Post-Bond Liability/Debt Outstanding**
Total Pension Liability	\$28.0	\$18.0
GO Bonds	\$8.8	\$8.8
STSC Bonds	1.4	1.4
Fund Stabilization Bond		10.0
<b>Total Bonded Debt</b>	<b>\$10.2</b>	<b>\$20.2</b>
<b>Total Long-Term Liability</b>	<b>\$38.3</b>	<b>\$38.3</b>

\*Pension liability as of 12/31/17, Bonded debt as of 8/1/18  
\*\*Includes stabilization fund deposit; does not account for COI  
Totals may not add due to rounding.

### FUND STABILIZATION BONDS IMPACT ON TOTAL CITY DEBT

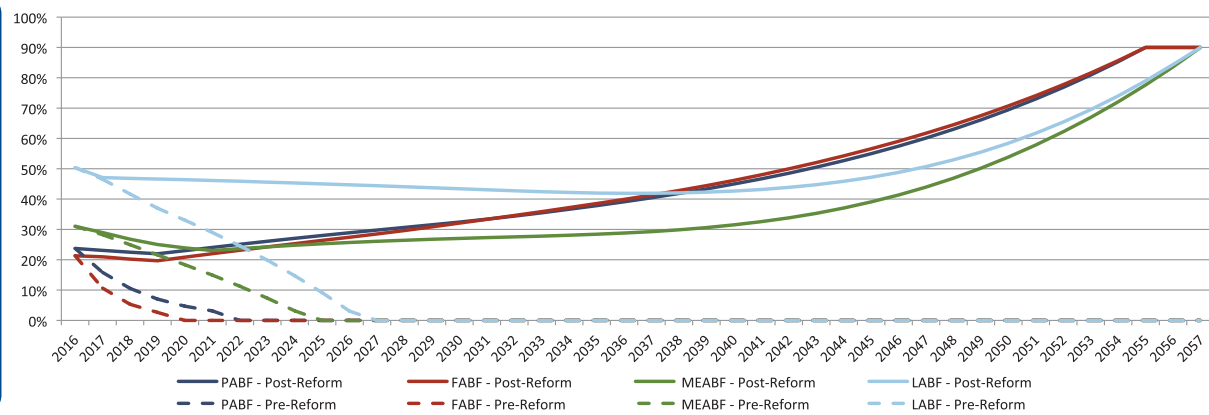


Does not include non-asset bonds  
Excludes the following debt: GO paid from Alternate Revenues, Motor Fuel, and Enterprise Funds

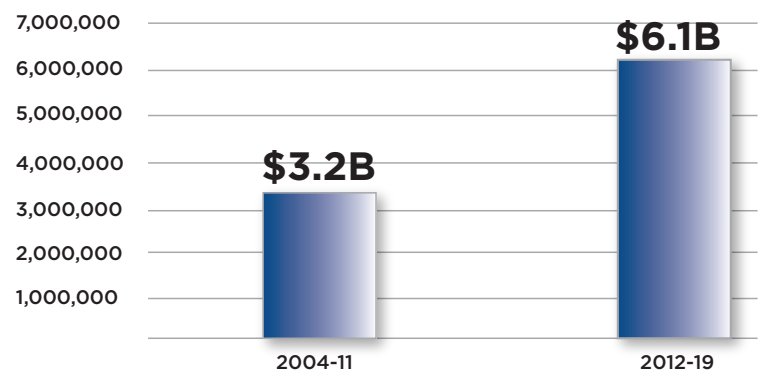
# STRENGTHENING CHICAGO'S PENSIONS

HOW OUR REFORMS HAVE HELPED THE PENSIONS

HEALTH OF PENSION FUNDS: FUNDED RATIO BEFORE AND AFTER REFORM



## INCREASED PENSION CONTRIBUTIONS



## WHAT'S THE IMMEDIATE FUTURE?

*Additional revenue* required to make pension payments due in **2020** if nothing is done: **\$276 million**

*Additional revenue* required to make pension payments due in **2022** if nothing is done: **\$310 million**

## LOOKING AHEAD: SOME VIABLE SOLUTIONS

### PURSUE A CONSTITUTIONAL AMENDMENT



to allow benefit reforms that will ensure long-term retirement security for workers and protect taxpayers. Provide flexibility to move cost-of-living increases more in line with the economy.

**\$42 billion** amount required to cover the cost of COLA increases from 2017 to 2057

**\$26 billion** amount taxpayers would save if all retirees receive a Tier 2 COLA through 2057

**TODAY** a retiree who received \$60K in benefits in 2011:

- \$71,643 (Tier 1 City of Chicago Pension)
- \$65,452 (Social Security)



**Ensure Chicago shares in revenue from legalized marijuana** to reduce the taxpayer burden for pension liabilities. Allow Chicago to raise its own revenue from marijuana by establishing a home rule tax.



**Pursue a Chicago-owned casino and dedicate revenues to workers' pensions.** The mayor is supporting legislation to move forward with this concept

Move forward with President Cullerton's consideration model. Let employees choose how to structure their retirement plans.

## Letter from the Mayor



When I was elected Mayor in 2011, our city's pension funds were heading towards insolvency, jeopardizing a secure retirement for workers like first responders and teachers. Together, we have made progress to ensure the hard-working Chicagoans we depend on have a retirement they can depend on as well.

My fundamental philosophy has always been that solutions to our pension challenges must be based on a progressive, shared approach.

Enclosed is a summary of the steps we have taken together; as elected officials, labor leaders, and taxpayers; and a roadmap forward to continue to confront this challenge head-on.

For workers and retirees, pensions represent the work of a lifetime - the hard-earned reward for showing up every day to do their job, keep their word, and live up to their responsibility. That must be our work as well - to do our job, keep our word, and live up to our responsibility.

Sincerely,

*Rahm Emanuel*

Mayor Rahm Emanuel

\* Projected numbers are based on estimates, including actuarial and interest rates assumptions.

# PENSION REFORM AT A GLANCE

APRIL 2010



**Looming Insolvency.** The Commission to Strengthen Chicago's Pension Funds reports that all of the City's pension funds are projected to become insolvent by 2030, with the first fund going under in 2022.

2010



**New Employee Tiers.** State law changes to create a second tier of employee benefits and adjust benefits for employees, ending the annual 3 percent compounded increase for new hires.

FEB. 2013



**Mayor Emanuel reached a landmark agreement with the Chicago Police Sergeants' Association.** It would have ensured fair employment terms, preserved retirement security for the sergeants and reduced the burden on City taxpayers. It provides a framework and set the tone and precedent for a path forward.

FEB. 2013 -  
JUNE 2014



**Municipal and Laborers Agreement.** In collaboration with labor leaders, Mayor Emanuel supports Senate Bill 1922, reforming benefits and increasing both the employee and employer contributions. The City Council subsequently increased the 911 surcharge to free up the city's corporate funds for increased pension payments.

FEB. 2015 -  
MAY 2016



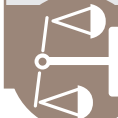
**Police and Fire Funding.** Mayor Rahm Emanuel negotiates new pension funding reform with police and fire unions to ramp up City payments over four years - which requires a state law that passes the General Assembly. The City Council passes a phased-in \$543 million property tax increase to fund police and fire pension payments.

JULY 2015



**Saving Teachers' Pensions.** Mayor Emanuel proposes a "three-way handshake" between the state, property tax payers and teachers to secure Chicago teachers' pensions.

JULY 2015 -  
MARCH 2016



**Court Battle over Pension Reforms.** The City of Chicago fights to support the pension reforms of S.B. 1922 that several labor unions negotiated; however, the Illinois Supreme Court strikes down the law in March 2016, citing the Constitution.

MAY 2016



**Override of Gov. Rauner's Veto of Police and Fire Reforms.** Gov. Rauner vetoes the City's negotiated police and fire pension reforms. With Mayor Emanuel's strong advocacy, bipartisan majorities in the General Assembly override the Governor's veto.

SEPT. 2016



**Funding Municipal Pensions.** The City passes a water-sewer utility tax that increases each year to help fund the required growing City contributions to the municipal employees' pension fund.

OCT. 2016



**Pension Agreement with Teachers.** Teachers agree that new employees must make the full contribution to their pension, ending the practice of the employer making both the employer contribution and the bulk of the employee's contribution.

JAN. 2017



**Municipal and Laborers Funding and Reforms.** In collaboration with labor leaders, Mayor Emanuel supports the General Assembly's introduction of the City's plan for municipal and laborers' pensions, including an increase in employee contributions, benefit reforms and a payment ramp.

JULY 2017



**Override of Gov. Rauner Veto of Municipal and Laborers Reforms.** Governor Rauner vetoes the City's negotiated municipal and laborers' pension reforms. With Mayor Emanuel's strong advocacy, the General Assembly includes the City's negotiated reforms in the state budget, and overrides the Governor's veto. This ensures that the Mayor's plan to secure the municipal and laborers pension funds became law.

JULY 2017



**Funding Teachers' Pensions.** With the Mayor's strong advocacy, the General Assembly passes a budget that ends the practice of funding all teacher pensions but Chicago's, providing CPS with an additional \$200 million annually for teacher pensions and allowing CPS to reinstate a \$250M property tax levy only for teacher pensions.

TODAY



During Mayor Emanuel's administration, the City will have committed \$6.1 billion to pensions for city workers, and an additional \$4.2 billion for teachers' pensions. In total, more than \$10 billion will be deposited in pension funds as a result of Mayor Emanuel's balanced approach and partnership with Chicagoans and workers - all achieved while expanding the economy and without cutting services or forcing taxpayers to shoulder the burden of growing pension costs alone.