

**CALLING ON THE ILLINOIS GENERAL ASSEMBLY TO AUTHORIZE THE CITY OF
CHICAGO TO RE-AMORTIZE ITS PUBLIC PENSION DEBT AS PART OF A
COMPREHENSIVE PENSION REFINANCING STRATEGY**

WHEREAS, The City of Chicago is legally obligated to fund its four public pension systems (collectively, the “Chicago Pension Systems”) — the Municipal Employees’ Annuity and Benefit Fund (the “MEABF”), the Policemen’s Annuity and Benefit Fund (the “Police Fund”), the Firemen’s Annuity and Benefit Fund (the “Fire Fund”), and the Laborers’ and Retirement Board Employees’ Annuity and Benefit Fund (the “Laborers’ Fund”) — in accordance with 40 ILCS 5/8-173, 40 ILCS 5/5-168, 40 ILCS 5/6-165, and 40 ILCS 5/11-169, respectively, of the Illinois Pension Code as established under State law; and

WHEREAS, The Illinois Pension Code establishes funding schedules for paying the legacy unfunded liabilities the City owes to the Chicago Pension Systems, which require steadily increasing contributions through 2055 for the Police Fund and the Fire Fund, and through 2058 for the MEABF and the Laborers’ Fund, with the goal of bringing each of the respective Chicago Pension Systems up to a funded ratio of 90% by said years (the “Chicago Pension Ramps”), before transitioning to a level percentage of payroll funding after all the Chicago Pension Systems reach said 90% funded ratio; and

WHEREAS, The Chicago Pension Ramps are unaffordably back-loaded, and hence impose a significant fiscal strain on the City’s resources, and thereby reduce the City’s fiscal capacity to fund essential services, while simultaneously compelling the City to increase its reliance on regressive revenue sources; and

WHEREAS, The City desires to create a more responsible and feasible approach to paying its unfunded pension liabilities that satisfies the goal of bringing each of the Chicago Pension Systems up to a funded ratio of at least 90%, while simultaneously reducing the strain on the City’s fiscal system and saving taxpayer cost; and

WHEREAS, A comprehensive pension refinancing strategy should be enacted by the State to replace the existing Chicago Pension Ramps, provided that such comprehensive pension refinancing strategy is designed to meet actuarial requirements, preserve all benefits earned by public sector workers, improve the funded ratio of the Chicago Pension Systems to the 90% target levels established in the Chicago Pension Ramps, stabilize the City’s finances, and save taxpayer costs, which includes each of the following elements:

1. **Issuing a limited amount of pension obligation bonds over a period of six years,** to frontload approximately \$1.7 billion of legacy debt payments into the Chicago Pension Systems, thereby retiring 4.7% of existing unfunded liabilities earlier than would pertain under the Chicago Pension Ramps, and simultaneously reducing long-term interest costs;
2. **Moving the entirety of the annual pension contribution** to the first day of the fiscal year to maximize investment returns for the Chicago Pension Systems;
3. **Re-amortizing the remaining unfunded liability on a level-dollar basis starting in 2033,** providing payment stability and preventing back-loaded schedules that exacerbate future fiscal problems for the City; and
4. **Including a modest additional frontloading of contributions** above the amounts currently required by the Chicago Pension Ramps, to further reduce principal more quickly; and

WHEREAS, A chart illustrating the current State-mandated funding ramp and the proposed alternative financing strategy is attached to this Resolution as **Exhibit A**, showing the projected impact on contribution levels; and

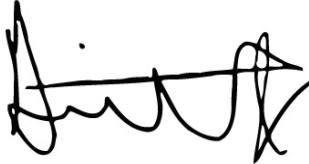
WHEREAS, Preliminary actuarial modeling of the aforesaid comprehensive pension refinancing strategy indicates that, compared to the current statutory Chicago Pension Ramps, the City and hence its taxpayers, would realize an estimated \$10.5 billion in total savings over the amortization period through earlier debt retirement, reduced interest costs, and improved investment returns from accelerated contributions; and

WHEREAS, Enacting this comprehensive pension refinancing strategy would both enhance the long-term fiscal stability of the Chicago Pension Systems and free-up City resources needed to fund essential services; and

WHEREAS, The re-amortization of the Chicago Pension Ramps requires legislative authorization from the Illinois General Assembly; and now, therefore,

BE IT RESOLVED, That we, the Members of the Chicago City Council, do hereby call upon the Illinois General Assembly to enact legislation that authorizes the re-amortization of the Chicago Pension Ramp in accordance with Exhibit A attached to this Resolution; and

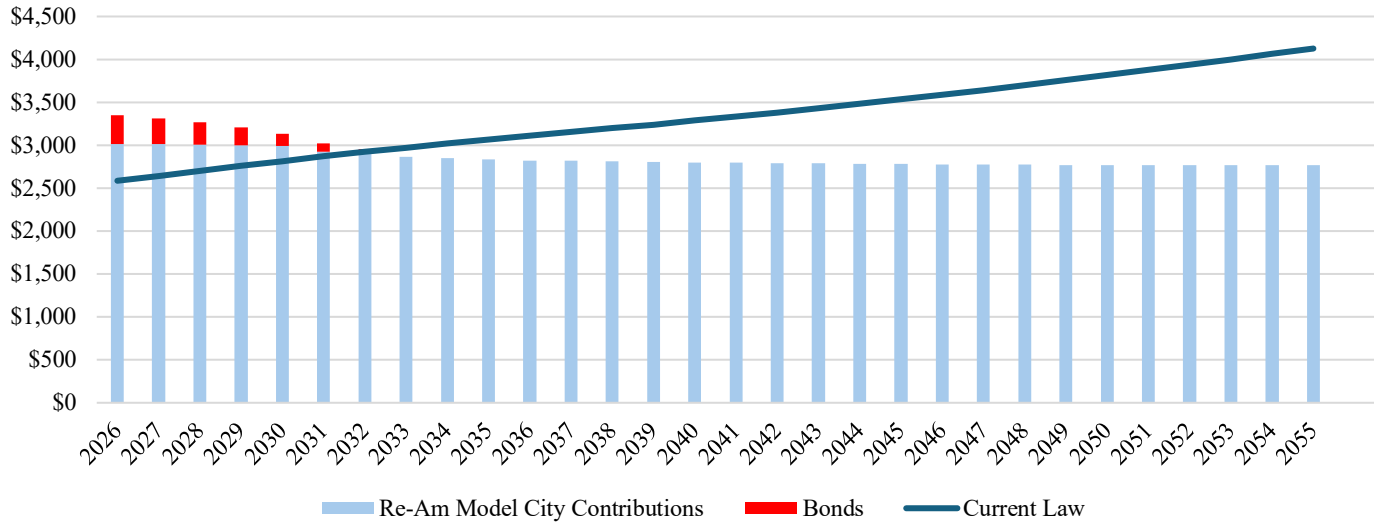
BE IT FURTHER RESOLVED, That suitable copies of this Resolution be transmitted to the Governor of the State of Illinois, the President of the Illinois Senate, the Speaker of the Illinois House of Representatives, and all members of the Chicago legislative delegation.

A handwritten signature in black ink, appearing to read 'Gilbert Villegas', with a horizontal line drawn through the middle of the signature.

GILBERT VILLEGAS
Alderman, 36th Ward

Exhibit A

City of Chicago Pension System Refinancing Model, Including Re-Amortization



The proposed refinancing model achieves an **aggregate funded ratio of 82% by 2055, compared to the 77.5% achieved under the current ramp, while saving Chicago taxpayers \$10.5B** over the cost of the current Pension Ramp. The reductions in cost and fiscal strain are achieved by:

- **Issuing a total of \$1.7B in pension obligation bonds between FY 2026 and FY 2032**
 - All the bond proceeds are used to frontload payments to the pension systems and retire existing unfunded liability debt by paying down the principal
 - Pension obligation bonds are favorable in this situation because:
 - They do not generate any new debt, but instead transfer pension debt, which has a higher interest rate, to pension obligation bond debt (and only 4.7% of the total pension debt is converted to bond debt)
 - Pension obligation bonds historically have a net positive rate of return (+1.5% for all bonds issued in the U.S. between 1992 and 2009)
 - The bond debt becomes an asset because it is invested in the market to generate returns
 - The bonds are issued over a five-year span, minimizing market timing risks
 - The bonds prevent the need for a tax increase to fund the pension re-amortization
- **Moving all pension contributions to the first day of the fiscal year**, allowing for additional time to generate investment returns on those contributions, which has a positive, compounding effect over time
 - This change alone would save Chicago taxpayers **\$2.3B** over the current costs of the Pension Ramp
- **Re-amortizing the remaining pension debt on a level-dollar basis starting in 2033** to eliminate the fiscal strain created by the current backloading of payments under the existing Pension Ramp
- **Including an additional minor frontloading of payments** above what is currently prescribed by the Pension Ramp to pay down the principal owed on existing unfunded liability debt

Current Law Cost	Bond Amount	Re-Am Cost	Cost Savings Over Current Law
\$102.8B	\$1.7B	\$92.3B	\$10.5B