



# City of Chicago



R2020-804

Office of the City Clerk

## Document Tracking Sheet

**Meeting Date:** 10/7/2020

**Sponsor(s):** La Spata (1)  
Martin (47)

**Type:** Resolution

**Title:** Call for subject matter hearing(s) on potential issuance of pension obligation bonds targeted toward city's pension requirements

**Committee(s) Assignment:** Committee on Finance

**Resolution Calling for Subject-Matter Hearings on  
Pension Obligation Bonds**

**WHEREAS**, in addition to the reported COVID-19 budget shortfalls, the City of Chicago (“the City”) faces projected pension payment increases of more than \$500 million between the 2021 and 2023 budgets; and

**WHEREAS**, the City’s Historic and Projected Pension Contributions in the 2021 Budget Forecast projects an increase of more than \$130 million in 2021; an increase of more than \$400 million in 2022; and an increase of approximately \$50 million in 2023 (2021 Budget Forecast, page 28); and

**WHEREAS**, the City owes more than \$31 billion to its four employee pensions, and its pension debt increased by approximately \$1.7 billion in 2019, according to WTTW reporting on the 2019 Certified Annual Financial Report; and

**WHEREAS**, *Forbes* and *Wall Street Journal* reported that the City’s funded ratio of its pension is 24% (Elizabeth Bauer, *Forbes*, August 31, 2020); and

**WHEREAS**, addressing the three-year pension ramp requires structural reforms to the budget; and

**WHEREAS**, Pension Obligation Bonds are a tool that allows the City to issue bonds targeted to expand the funded ratio of the pensions, refinancing the existing pension debt to reduce the pension payment ramp; and

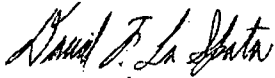
**WHEREAS**, if the City does not find additional revenue or refinancing sources for its budget, a large property tax increase will be necessary for the City to meet its obligations; and

**WHEREAS**, issuing Pension Obligation Bonds and lowering the pension payment ramp reduces the likelihood that a large property tax increase will be needed, making targeted Pension Obligation Bonds a responsible, progressive structural reform for the budget; now, therefore,

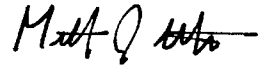
**BE IT RESOLVED**, that we, the Members of the City Council of the City of Chicago, hereby call upon the Committee on Finance to hold subject-matter hearings on the potential issuance of one or more Pension Obligation Bonds specifically and solely targeted to the City’s pension requirements. Such hearings shall include discussion regarding:

- (1) The issuance and underwriting standards necessary to handle the amount of the City’s pension obligation; if numerous issuances spanning a number of years reduce risk to the City and provide a more favorable position for the City, this course shall be explored;

- (2) Requirements that the bonds be used for no purpose other than pension payments; and
- (3) Investing bond proceeds in such a manner to reduce market risk to the City and its pensions, and wherever possible in assets and equities that exhibit socially and environmentally responsible characteristics.



Daniel La Spata  
Alderman, 1st Ward



Matt Martin  
Alderman, 47th Ward