



Office of the City Clerk

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Legislation Details (With Text)

File #: R2020-804
Type: Resolution
Status: Failed to Pass
File created: 10/7/2020
In control: City Council
Final action: 5/24/2023
Title: Call for subject matter hearing(s) on potential issuance of pension obligation bonds targeted toward City's pension requirements
Sponsors: La Spata, Daniel, Martin, Matthew J.
Indexes: Committee on Finance
Attachments: 1. R2020-804.pdf

Date	Ver.	Action By	Action	Result
5/24/2023	1	Committee on Committees, Rules and Ethics	Failed to Pass	
10/7/2020	1	City Council	Referred	

Committee on Finance City Council
Meeting October 7, 2020

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;

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- (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

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