Fund Stabilization Bonds

August 23, 2018

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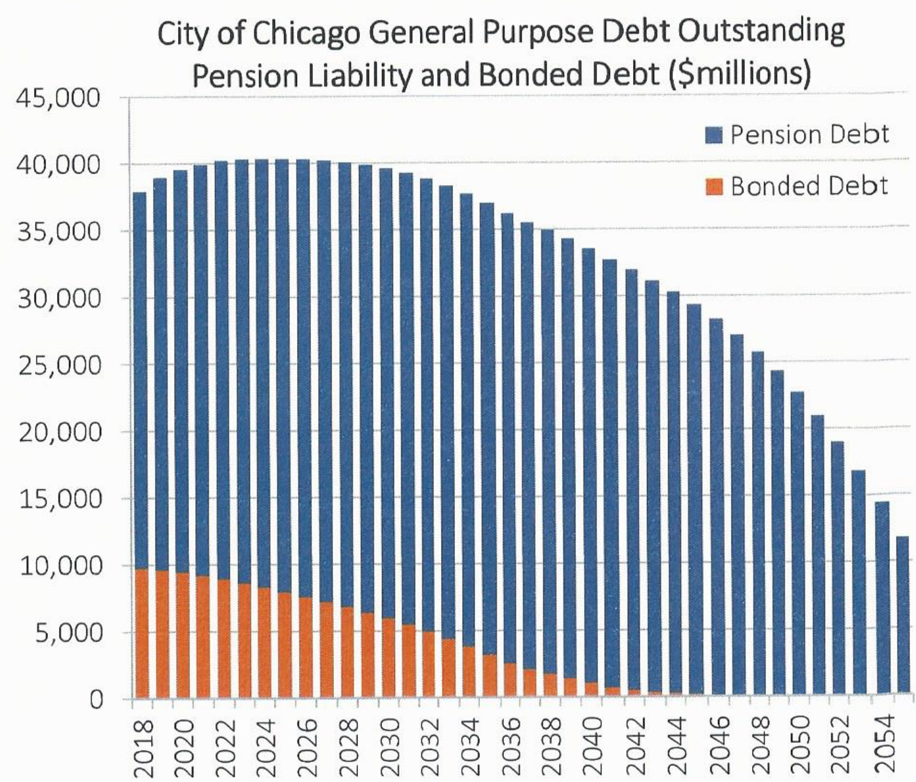
The City's General Long-Term Debt Liability

- The City of Chicago currently has approximately $38 billion of general purpose long term debt outstanding
  - $28B or 73% of the City's overall general long-term debt liability is pension debt.
    - The Illinois Supreme Court, rating agencies, bond investors and the Illinois General Assembly have all indicated that the City's pension debt is a hard liability
    - The cost of the pension debt is between 7% and 7.5%
  - $10B or 27% of the City's overall general long-term debt liability is bonded debt
    - Comprised of General Obligation and Sales Tax Securitization Corporation debt
    - The cost of the City's bonded debt is between 2.6% and 6.25%

Source	Liability/Debt Outstanding ($ in thousands)
PABF	$10,332,396
FABF	4,619,997
MEABF	11,728,378
LABF	1,362,553
Total Pension Liability (as of December 31, 2017)	**$28,043,324**
General Obligation Bonds	8,819,502
STSC Bonds	1,424,015
Total Bonded Debt (as of August 1, 2018)	**$10,243,517**
Total General Long-Term Debt Liability	$38,286,841



[1] Excludes the following debt: GO paid from Alternate Revenues, Motor Fuel, and Enterprise

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City of Chicago Pension Funds

Pension Fund	Total Membership	Assumed Rate of return	Net Pension Liability[1]	Funded Ratio[2]
PABF	26,901	7.25%	10,332,396	23.7%
FABF	9,568	7.50%	4,619,997	20.1%
MEABF	73,854	7.00%	11,728,378	27.4%
LABF	7,966	7.25%	1,362,553	48.3%
Total	118,289		28,043,324	

[1]Represents the difference between the total pension liability and assets currently available in the fund
[2]Represents the actuarial value of assets divided by the actuarial accrued liability

- Prior to legislative reform, the City contributed to the pension funds an amount determined by a funding formula which required the City to contribute a statutory multiple.
- The amounts derived under the multiplier formula were substantially less than the contribution amounts that would typically result from an actuarial determination.
- The Pension Code was modified for all four funds
  - After a phase-in period, the City must contribute each year the actuarially determined amount necessary to achieve a funded ratio of 90% by 2055 for PABF and FABF and by 2057 for MEABF and LABF.

City Contributions to the Pension Funds

- The ARC is the City's required contribution to the pension funds and includes the normal cost, which is the cost for pension benefits related to the current year, and an amortization payment, which is the payment for services to the fund over the next several years.

Annual Required Pension Payments by Fund ($1,000s)

		PABF		FABF		MEABF		LABF		Total	
Budget Year	Payment Year	ARC	Yearly Increase	ARC	Yearly Increase	ARC	Yearly Increase	ARC	Yearly Increase	ARC	Yearly Increase
2017	2018	500,000		227,000		266,000		36,000		1,029,000	
2018	2019	557,000	57,000	235,000	8,000	344,000	78,000	48,000	12,000	1,184,000	155,000
2019	2020	579,000	22,000	245,000	10,000	421,000	77,000	60,000	12,000	1,305,000	121,000
2020	2021	749,033	170,033	354,636	109,636	499,000	78,000	72,000	12,000	1,674,669	369,669
2021	2022	769,013	19,980	362,151	7,515	576,000	77,000	84,000	12,000	1,791,164	116,495
2022	2023	789,384	20,371	370,964	8,813	853,487	277,487	116,744	32,744	2,130,579	339,415
2023	2024	809,733	20,349	381,917	10,953	870,987	17,500	118,520	1,776	2,181,157	50,578
2024	2025	829,208	19,475	392,574	10,657	888,880	17,893	120,292	1,772	2,230,954	49,797

**Shaded portions represent ramp period*

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Refinancing the Pension Liability

- The City may be able to issue Fund Stabilization bonds to refinance a portion of its high cost pension debt
- In order to proceed with the issuance of Fund Stabilization Bonds, the proposed financing plan:

Will

- ✓ Provide significant reduction in cost of pension debt
- ✓ Materially improve the funded status of the pension funds
- ✓ Decrease the total amount of additional revenue required to fund pensions, saving billions for Chicago taxpayers

Will Not

- ✗ Eliminate or defer the City's statutorily required contributions
- ✗ Allow for the use of proceeds for any purpose except for the benefit of the pension funds
- ✗ Add additional reinvestment risk not currently inherent in the status quo

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Refinancing the Pension Liability at Lower Rates

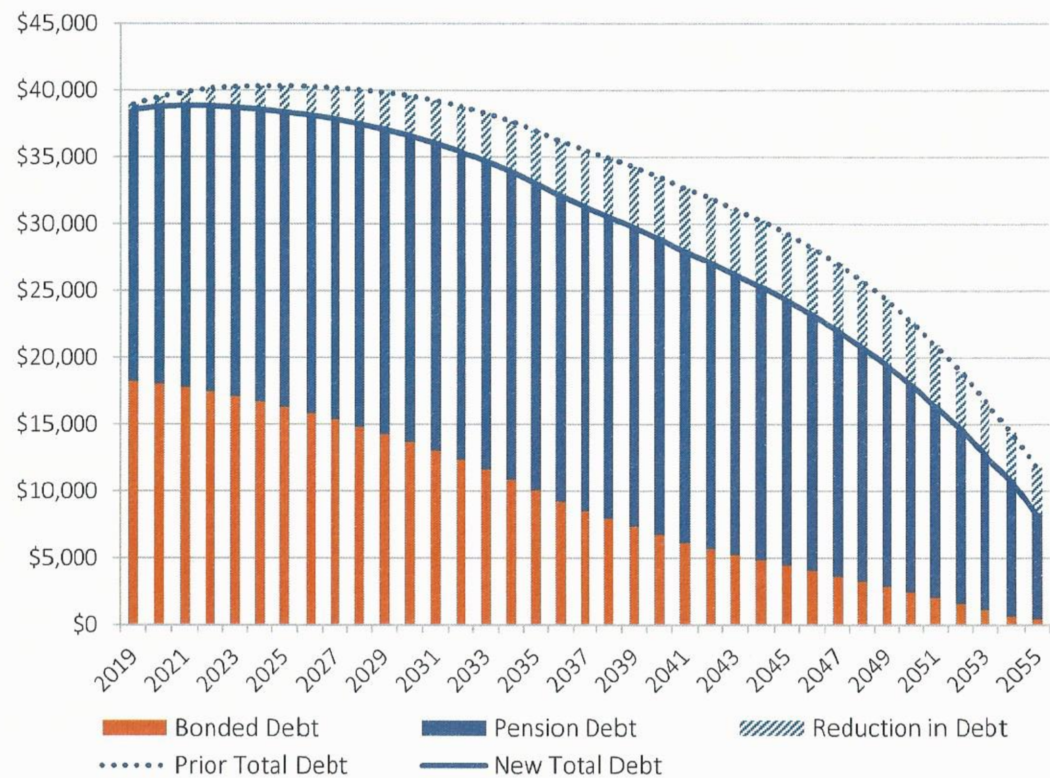
- In today's market, we estimate that a hypothetical issuance of Fund Stabilization Bonds could:
  - Generate more than $6 billion in gross savings
  - Reduce the amount needed for revenue increases

Debt and Pensions ($ billion)

Source	Current Liability/Debt Outstanding*	Pro-Forma Liability/Debt Outstanding**
Total Pension Liability	$28.0	$18.0
GO Bonds	$8.8	$8.8
STSC Bonds	1.4	1.4
Fund Stabilization Bonds	-	10.0
Total Bonded Debt	$10.2	$20.2
Total Long-Term Liability	$38.3	$38.3

*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.

Amortization of Long-Term Liabilities



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

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