OFFICE OF THE MAYOR

CITY OF CHICAGO

FOR IMMEDIATE RELEASE
March 24, 2017

CONTACT:
Mayor's Press Office
312.744.3334
press@cityofchicago.org

STATEMENT FROM ADAM COLLINS, MAYORAL SPOKESMAN, ON GOVERNOR RAUNER'S VETO

"The governor continues to make one irresponsible and irrational decision after another, and his veto today is the latest example. This bill passed with overwhelming bipartisan support because it improves our fiscal stability for taxpayers and shores up pensions for thousands of retirees who earned them. Instead of helping secure the future of our taxpayers and middle-class retirees, the governor chose to hold them hostage - just as he has done to social service providers, schoolchildren and universities across the state. The governor's actions are harming the most vulnerable in our state, and the people of Illinois deserve better."

BACKGROUND
SB2437 finally puts the Municipal and Laborers' pension funds on actuarially required funding, restoring solvency without overburdening taxpayers. It ends years of deferring payments needed to stabilize these funds. Over the next five years, we will triple our contributions these funds without sacrificing service and without forcing taxpayers to pay for an overnight, unsustainable increase in our pension contributions

SB2437 does not authorize a property tax increase. Last fall, the Chicago City Council adopted a dedicated revenue sources for both pension funds, fully funding the City's contributions through the five-year ramp and providing revenue to help meet the City's contributions beyond the first 5 years.

Along with adding billions to these pension funds, SB2437 provides real and sustainable reforms with new employees paying more toward the cost of their pension benefits. All new city hires will contribute more to their retirement, increasing their contributions from 8.5 percent to 11.5 percent.

Ratings agencies have weighed in favorably on the city's plan for the Municipal and Laborers' Pension Funds:

- In October 2016, S&P revised its outlook from negative to stable on the City of Chicago's General Obligation Debt. S&P stated, *"the outlook revision reflects the*

Chicago city council's recent approval of a new water/sewer tax, which supports larger contributions into its municipal employees' pension plan; larger contributions to the plan are permanent."

- In September 2016, Fitch revised the City of Chicago's credit outlook from negative to stable. Fitch stated the reason for the increase was *"the recently enacted material increase in funding to Chicago's pension plans."* Fitch went on to say,*"Aside from its pension funding issues, the city's financial profile has markedly improved in recent years, […] and the city's financial cushion provides solid capacity to address cyclical downturns."*

Without a State Law change, the Municipal and the Laborers' pension funds will become insolvent as early as 2025 and 2027, respectively.

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