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Moody's: Regardless of Legal and Political Outcomes, Chicago's Pension Pressures Will Grow for Years.

New York, May 01, 2015 — Chicago's (Baa2 negative) pension plans face an uncertain future. Statutes that govern the city's pension funding requirements have come under legal and political fire, particularly during the last year, as pensioners, politicians, taxpayers and investors have questioned the laws' constitutionality and affordability, Moody's Investors Service says in a new report.

Regardless of the ultimate answers, one outcome is certain: Chicago's unfunded pension liabilities and ongoing pension costs will grow significantly, forcing city officials to make difficult decisions for years to come.

If current laws stand, Chicago's annual pension contributions are projected to increase by 135% in 2016; by an average annual rate of 8% in 2017-21; and by an average annual rate of 3% in 2022-26.

The 2016 increase alone equals a significant 15% of the city's 2013 operating revenue, Moody's says in "Chicago's Pension Forecast — Tough Choices Now or Tougher Choices Later."

"Although the growing contributions will place enormous strain on the city's operating budget, the initial payments will still be insufficient to cover the annual interest accruing on the plans' massive accumulated unfunded liabilities. By 2027, however, unfunded liabilities should begin to decline and annual contribution increases should begin to moderate," says Moody's Vice President and Senior Analyst Rachel Cortez.

If current laws do not stand, Chicago's annual pension contributions will remain well below the plans' actuarially determined funding needs.

The city's impending contribution increases to the Municipal and Laborer plans will be reduced if the courts find Public Act 98-0641 unconstitutional. The city's impending contribution increases to the Police and Fire plans will be reduced if the state amends Public Act 96-1495 per the city's request. Without the increased payments that current statutes require of the city, the plans will continue to liquidate assets to pay benefits. As the plans approach insolvency, risks to the city's solvency will grow.

The report is available to Moody's subscribers [here.](#)