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Chicago’s Pension-Bond Plan Could Use a FAANG Rout.

The Windy City is again considering a risky strategy to shore up its retirement funds.

Chicago should be cheering on the recent decline in U.S. technology stocks.

The city, like many across America, is staring down huge budget shortfalls in the coming years after shutting down the local economy to slow the coronavirus pandemic. Mayor Lori Lightfoot last week estimated that the fund that accounts for most of its services will have a deficit of almost $800 million in 2020 and $1.2 billion in 2021, with Covid-19 related revenue losses accounting for 65% of the gap.

That’s bad enough for any U.S. city. For Chicago in particular, it’s devastating given its highly precarious financial situation even before the pandemic. Moody’s Investors Service downgraded the city’s credit rating to junk more than five years ago, sending shockwaves across the $3.9 trillion municipal-bond market and forcing investors to consider whether it was destined to be “the next Detroit.” Instead, former Mayor Rahm Emanuel made some politically tough decisions to help put its four underfunded retirement plans on a path to solvency and veer the city toward so-called structural balance by 2022.

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Bloomberg Opinion

By Brian Chappatta

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