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## **Chicago Police Pension Costs Seen Swelling With Proposed Law.**

- **Measure could add \$3 billion to cost through 2055: Chicago CFO**
- **Legislation would boost cost-of-living hikes for younger cops**

Chicago's police pension obligations could increase by another \$3 billion total through 2055 if the state of Illinois passes a proposed law designed to force the city to acknowledge its probable liabilities for annual pay increases to retirees.

Illinois State Senator Robert Martwick is preparing to push legislation in 2022 to change eligibility restrictions for cost of living adjustments for police retirees, saying current law understates the impact of those costs. The new law would bring rules for police in line with firefighters, and make the city's future costs more transparent, he said.

"It's making the unfunded liability reflect what the actual numbers are," Martwick said in an interview regarding the bill he's pressing for. "That will require the city to put in the necessary payment."

Chicago officials oppose the measure, calling it a burden. The extra liabilities added would be "unaffordable," said city Chief Financial Officer Jennie Huang Bennett.

"It is something that we are very concerned about and monitoring very closely," Bennett said in an interview regarding the legislation. The police cost of living adjustment "would be very expensive for the city."

The legislation would remove a requirement that police retirees be born before 1966 to be eligible for a 3% automatic annual increase in payments. Martwick says the state legislature repeatedly has made the required birth date later to include more retirees, meaning the actual costs for Chicago end up being higher than expected.

### **'Sizable' Shortfall**

Underfunded pensions are a problem for city and state governments nationwide. But the shortfall is particularly acute in Chicago.

Overall, the city has about \$33 billion of unfunded liabilities across four pension funds for police, firefighter and other municipal workers, after years of inadequate contributions. That's an amount nearly twice as large as the \$16.7 billion fiscal 2022 budget that the Chicago City Council passed last month.

Moody's Investors Service rates the city's debt as junk largely because of what it calls an "extremely sizable unfunded pension liability." Chicago is trying to fix the problem by boosting contributions and finding new sources of revenue. It's also getting large amounts of federal aid.

S&P Global Ratings and Fitch Ratings, which give the city investment-grade ratings, have both recently changed their medium-term outlooks for the city's grades to "stable" from "negative" after Moody's took a similar step in July. They have all cited the easing of pandemic-related pressure.

## **Firefighters' Version**

Earlier this year, Martwick successfully supported a similar measure for the city's firefighter pension plan, which was passed by the state legislature and then signed into law by Governor J.B. Pritzker in April.

In April Pritzker said he signed the legislation because it "gives all firefighters certainty and fair treatment." The pending sale of the James R. Thompson Center, which houses Illinois government offices, should return the state building to property tax rolls and generate \$45 million annually that would be partly shunted toward added pension costs, he said in April.

Chicago Mayor Lori Lightfoot staunchly opposed the measure, saying the change would increase the city's liability by more than \$800 million through 2055. In January 2021, Lightfoot called it an "irresponsible piece of legislation" that would "pass on a massive, unfunded mandate to the taxpayers of Chicago at a time when there are no extra funds to cover this new obligation."

The city's total retirement contributions for fiscal 2022 will increase to \$2.3 billion across its four funds, a jump of about \$460 million from 2021. To help pay for retirement costs, the city is currently reviewing bids for a casino in Chicago, and plans to use tax revenue from the gambling for police and fire pensions. The deadline for bids was last week, and Lightfoot's administration would like to recommend a finalist to the Illinois Gaming Board in the first quarter, the mayor said Friday in response to questions from a reporter.

Martwick said in early 2022 he will request a committee assignment for the proposed legislation that he originally introduced in February, as a first step before it potentially heads for a floor vote. If the Illinois General Assembly approves the legislation, it would head to the governor's desk for his signature.

The legislature is adjourned until January and would review assignments of committees for proposed bills closer to the return of session, John Patterson, a spokesman for Illinois Senate President Don Harmon, said in an email.

"We don't do analysis on bills that don't move, so we don't have a stance on this one," Jordan Abudayyeh, a spokeswoman for Pritzker, said in an email noting the bill does not have co-sponsors or a committee assignment.

The Illinois Municipal League, which represents towns all over the state, opposes the proposed bill because it would be a mandate that results in less money for other Chicago city services and operations, Brad Cole, the group's executive director, said in an email.

The city's pension burdens weren't created by Lightfoot and took decades to mount, Martwick said. Mayors historically have wanted to provide the benefits without putting the money in, he said.

"That's a bad equation," Martwick said.

## **Bloomberg Markets**

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