After Detroit:
How will Illinois and its Communities Respond?

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Panelist Presentation
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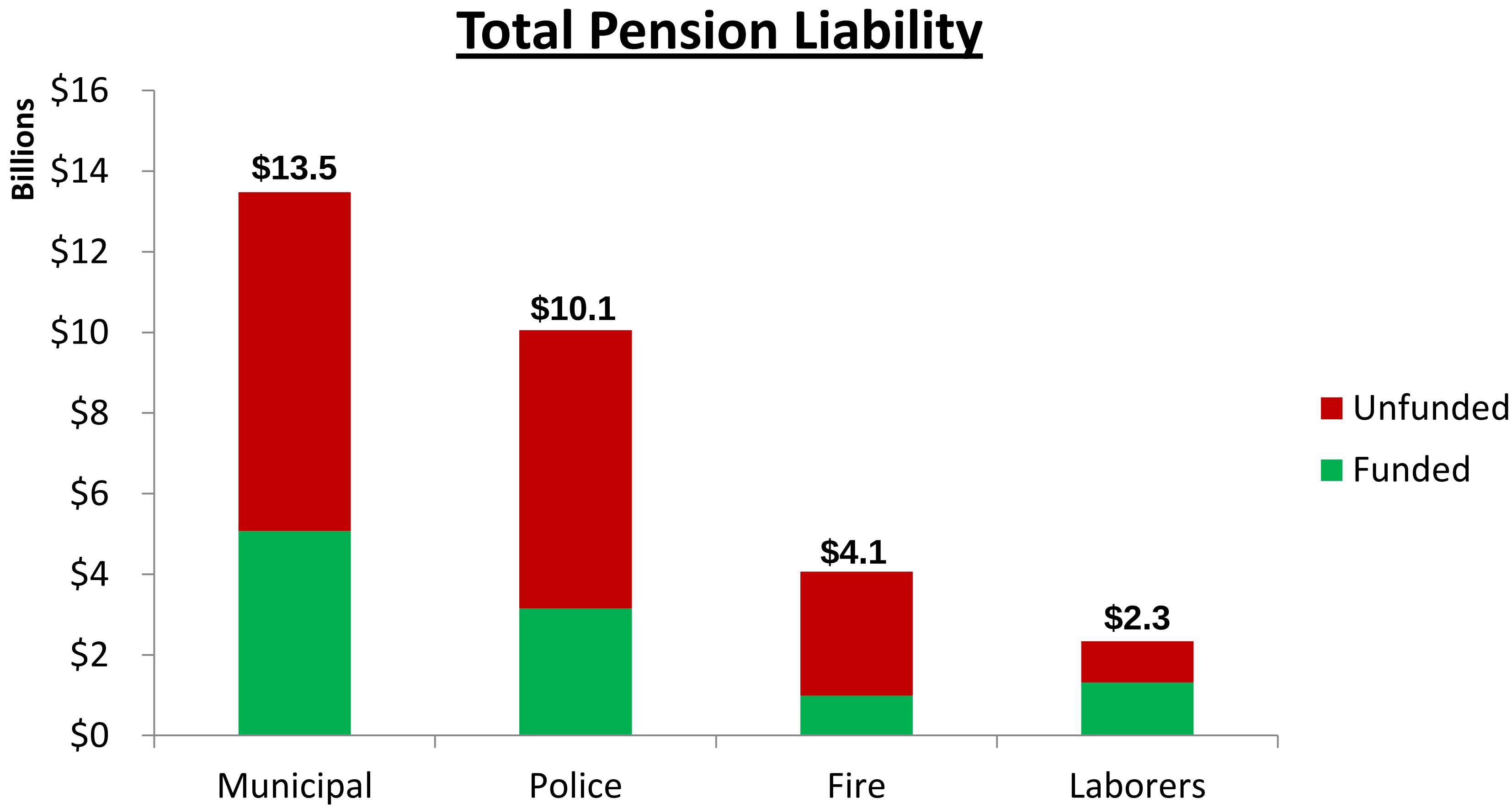
Background on City employee pension funds

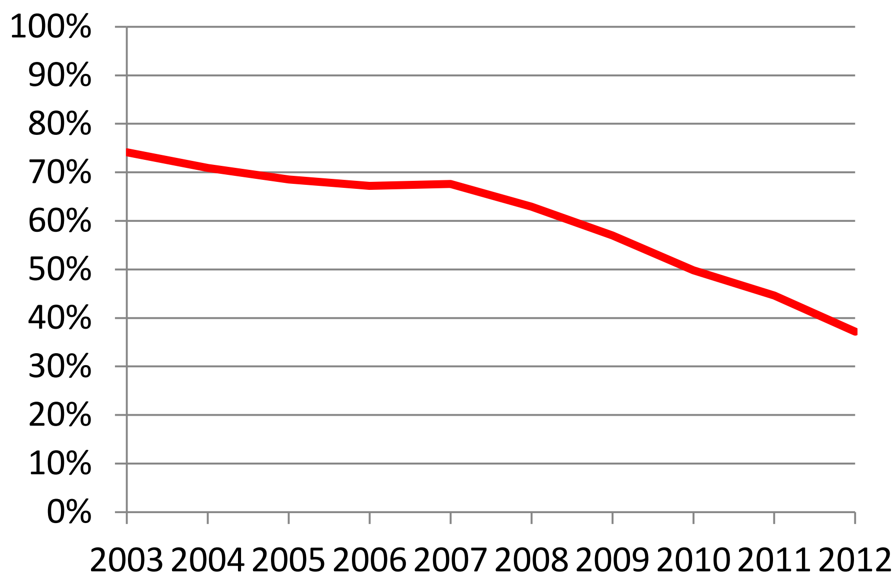


	Municipal	Police	Fire	Laborers
Actives	**31,326**	**12,026**	**4,740**	**2,865**
Retirees	**19,614**	**12,966**	**2,821**	**2,737**
Unfunded Liability ($B)	**$8.4**	**$6.9**	**$3.1**	**$1.0**

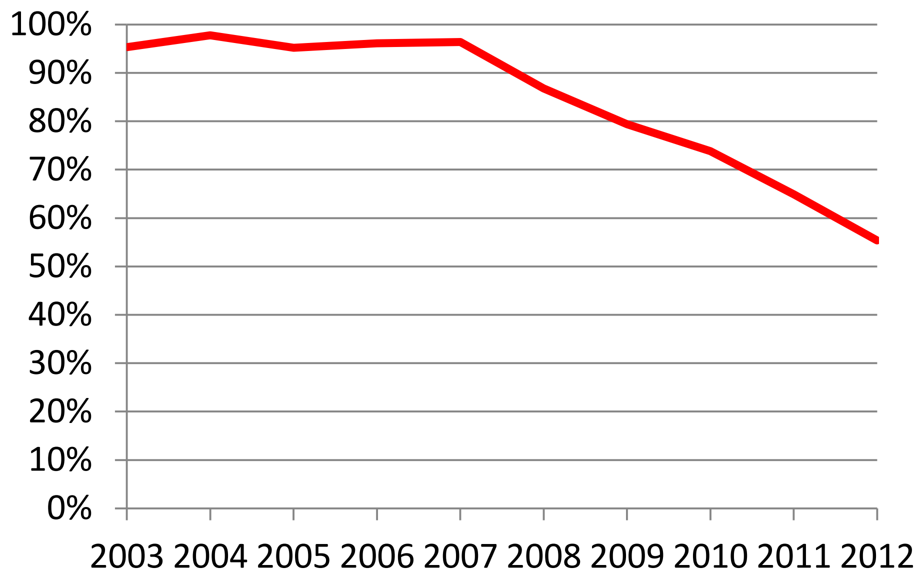
Note: All information current as of each pension fund's 2012 Annual reports using actuarial values for liability

The Municipal and Laborers' funds have fallen significantly over the last 10 years

Municipal fund



Laborers fund

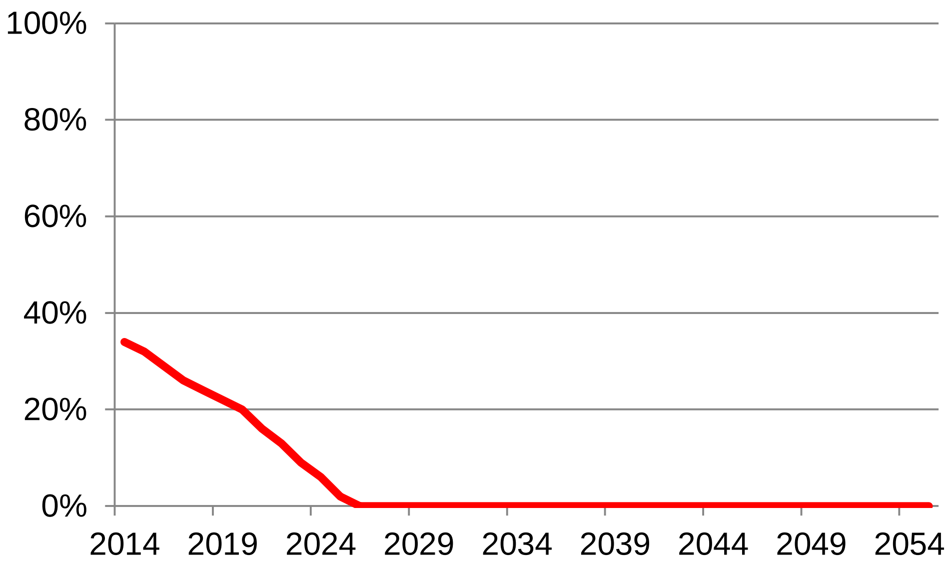


How did this happen?

- **Benefit and funding levels did not mathematically match up:** As more benefits were added, including adding a compounded COLA in the late 1990s to both funds, the funding and benefit levels didn't mathematically fit – exposing the funds to significant risk in tough times.
- **Market losses:** The Great Recession and dot-com crash significantly affected funds market returns.
- **No "ARC" funding plan:** Because both funds were on "multiplier" funding plans and not ARC funding plans, funding did not automatically adjust as market returns fell or benefits increased.
- **Not confronting the hard truth:** As both funds continued to go without reform and funding solutions, their funding ratios began to fall very rapidly

The Municipal & Laborers' funds will both be insolvent within 9-17 years without decisive action

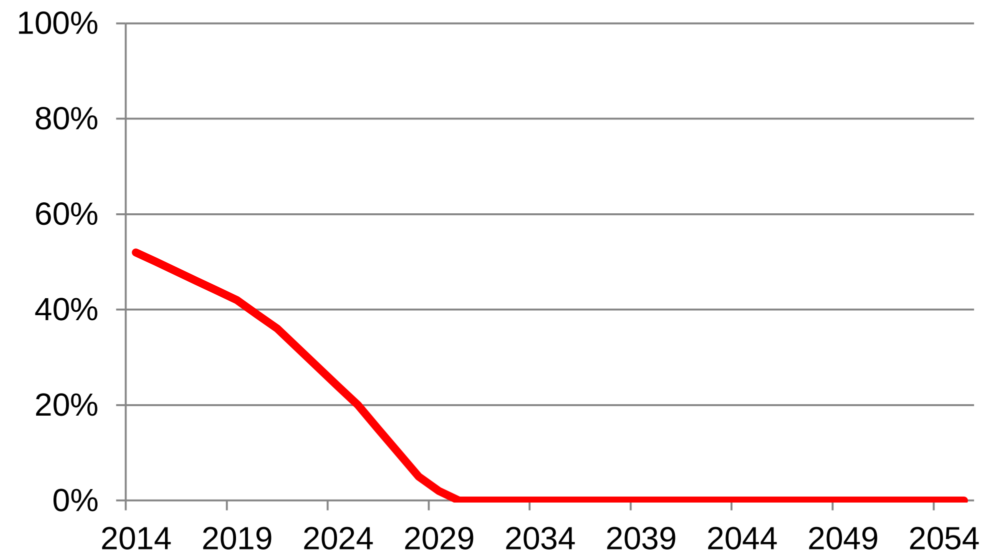
Municipal fund



- Current market value of assets: 38%
- Current # of active employees: 31,326
- Current # of retirees: 19,614

Potential total insolvency range: 2023 - 2027

Laborers fund



- Current market value of assets: 58%
- Current # of active employees: 2,865
- Current # of retirees: 2,737

Potential total insolvency range: 2024 - 2031

The funds will reach a point of no return several years before insolvency

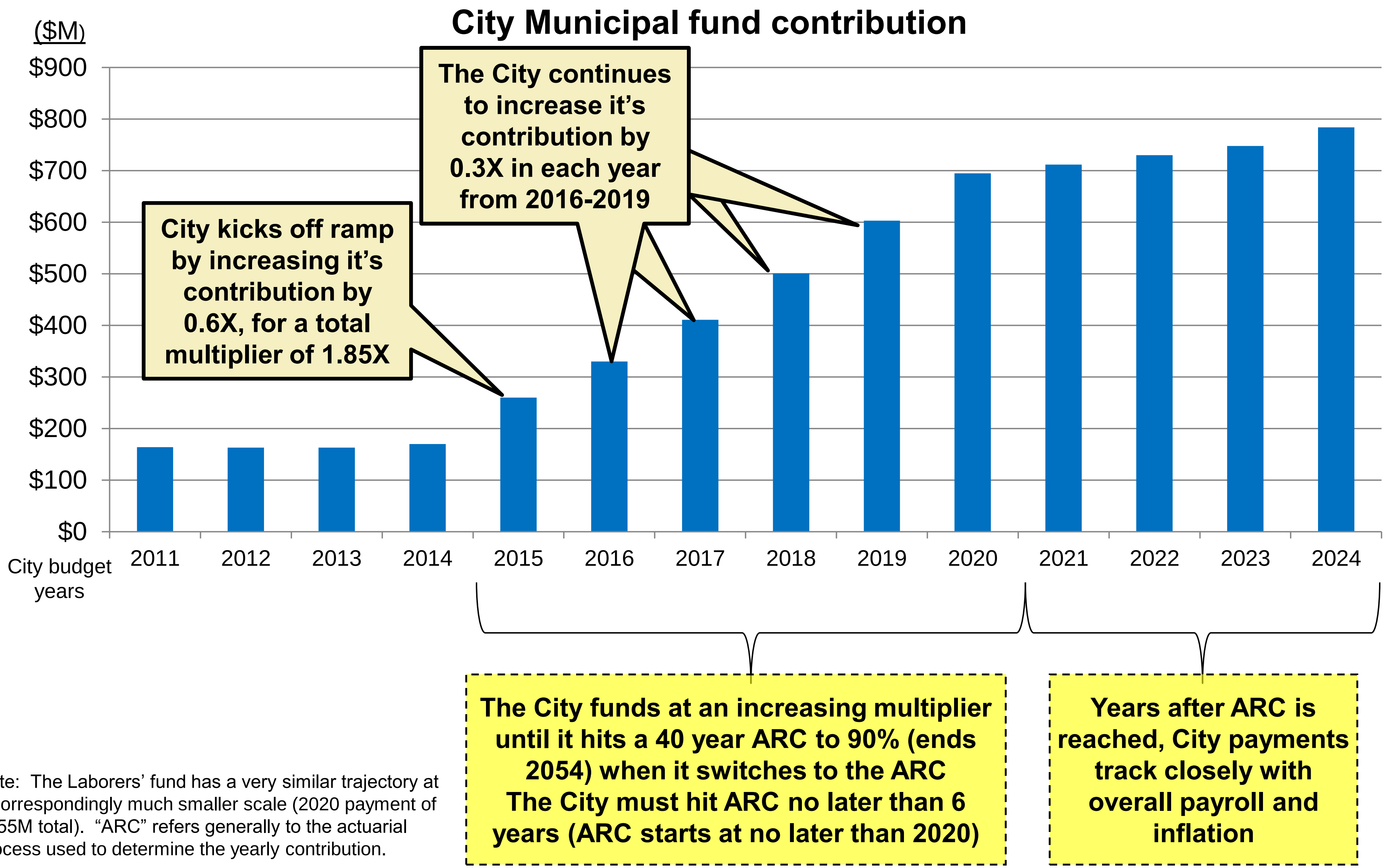
Note: Insolvency ranges calculated by running scenarios with 2-8% yearly rates of return

Proposed plan: Reforms to employee contributions and retiree benefits

Current	Proposed
COLA rate (Tier 1): 3%, compounded	**COLA rate (Tier 1):** 3% or 50% CPI (whichever is less), simple
COLA pause years: None	**COLA pause years:** 2017, 2019, and 2025
COLA delays: Varies for Tier 1 & Tier 2, delayed until Jan 1 at least	**COLA delays:** 1 additional year delay for both Tier 1 and Tier 2
Retirement age: 50-60 for Tier 1* dependent on years of service, 67 for Tier 2	**Retirement age:** No change for Tier 1, reduced to 65 for Tier 2
Employee contributions: 8.5% of payroll	**Employee contributions:** ½% increases in 2015-19 for total increase of a 2.5%, and total of 11%

*Current average retirement age is 62 for the Municipal fund and 60 for the Laborers' fund

Proposed plan: Multiplier-based ramp to ARC to increase funding and protect taxpayers



Note: The Laborers' fund has a very similar trajectory at a correspondingly much smaller scale (2020 payment of ~$55M total). "ARC" refers generally to the actuarial process used to determine the yearly contribution.

Conclusion

Summary

- The plan strikes **the right balance of reform and revenue**, and serves as an honest framework in which everybody gives something, so that no one has to give everything

- It is a balanced solution resulting in a retirement system that is both affordable to taxpayers and that is solvent and secure for the City retirees of today and tomorrow, **providing certainty for everyone.**

- **Provides a long-term solution to cut in half the City's pension crisis:** By reforming the City's largest pension fund (the Municipal Fund), which also has the largest unfunded liability, as well as the Laborers' Fund, the City has fixed 53% of its pension liabilities.

- **Ensures the solvency of the pension funds now and for the long-term:** This deal ensures an aggressive ramp to a 40-year Actuarially Required Contribution (ARC) that quickly stabilizes the funds off their current downward trajectory over a period of five years, and grows them to funding health on an actuarially guaranteed pace.