



# City of Chicago



O2017-4839

Office of the City Clerk

## Document Tracking Sheet

**Meeting Date:** 6/28/2017

**Sponsor(s):** Emanuel (Mayor)

**Type:** Ordinance

**Title:** Amendment of Municipal Code Chapter 2-152 by adding new Article VI entitled "City Contributions to MEABF and LABF Ordinance"

**Committee(s) Assignment:** Committee on Workforce Development and Audit

WIKFORLE



OFFICE OF THE MAYOR  
CITY OF CHICAGO

RAHM EMANUEL  
MAYOR

June 28, 2017

TO THE HONORABLE, THE CITY COUNCIL  
OF THE CITY OF CHICAGO

Ladies and Gentlemen:

At the request of the Chief Financial Officer, I transmit herewith an ordinance amending the Municipal Code regarding funding for the MEABF and LABF.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

A handwritten signature in cursive script that reads "Rahm Emanuel".

Mayor

## ORDINANCE

WHEREAS, the City of Chicago (the "City") is a home rule municipality under Article VII Section 6 of the 1970 Constitution of the State of Illinois; and

WHEREAS, the City as a home rule municipality may exercise any power and perform any function pertaining to its government and affairs, including the power to impose certain taxes; and

WHEREAS, pursuant to the Illinois Pension Code, 40 ILCS 5/ (the "Pension Code"), the City contributes to four retirement funds (the "Retirement Funds") which provide benefits upon retirement, death or disability to members of the Retirement Funds; and

WHEREAS, the Retirement Funds' membership consists primarily of current and former employees of the City and their beneficiaries; and

WHEREAS, two of the Retirement Funds are the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF") and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF"); and

WHEREAS, the City has contributed to MEABF and LABF the amounts required by the Pension Code, but such amounts have not been sufficient, when combined with employee contributions and investment returns, to offset increases in the liabilities of MEABF and LABF; and

WHEREAS, actuaries for MEABF and LABF have projected that, absent additional funding, MEABF and LABF will not have assets on hand to make payments to beneficiaries beginning in 2025 and 2027, respectively; and

WHEREAS, on May 23, 2016, the City reached agreement with certain of its labor unions regarding stabilization plans (the "Stabilization Plans") for each of MEABF and LABF, and Senate Bill 2437, embodying the provisions of the Stabilization Plans, was passed by the Illinois General Assembly on January 9, 2017 but vetoed by the Illinois Governor on March 24, 2017; and

WHEREAS, since March 24, 2017, no legislation has been enacted by the State of Illinois (the "State") embodying the provisions of the Stabilization Plans or otherwise revising the provisions of the Pension Code to avoid the projected insolvency of MEABF and LABF; and

WHEREAS, in the absence of such legislation by the State, the City finds that it is necessary and advisable for the City to exercise its home rule powers to increase the required contributions by the City to MEABF and LABF; now, therefore,

*Be It Ordained by the City Council of the City of Chicago:*

**SECTION 1.** Chapter 2-152 of the Municipal Code of Chicago is hereby amended by adding a new Article VI as follows:

**Article VI. CITY CONTRIBUTIONS TO MEABF AND LABF (2-152-460 et seq.)**

**2-152-460 Title.**

This Article shall be known and may be cited as the "City Contributions to MEABF and LABF Ordinance."

**2-152-470 Definitions.**

When any of the following words or terms is used in this Article, it shall have the meaning ascribed to it in this Section:

- A. "Authorized Officer" means the Chief Financial Officer, the City Comptroller or the Director of the Office of Budget and Management.
- B. "Illinois Pension Code" means the Illinois Pension Code, 40 ILCS 5/ et seq., as amended and supplemented from time to time, and any successor statute.
- C. "LABF" means the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago.
- D. "LABF Code-Required Amount" means, for any Payment Year, the amount of the City contribution to be paid to LABF for such Payment Year pursuant to Article 11 of the Illinois Pension Code.
- E. "LABF Excess Amount" means, for any Payment Year, the remainder, if any, after subtracting the LABF Code-Required Amount for such Payment Year from the LABF Ordinance Amount for such Payment Year.
- F. "LABF Ordinance Amount" means, for any Payment Year, the amount of the City contribution to be paid to LABF for such Payment Year pursuant to subsections (a) – (c) of Section 2-152-490 of this Code.
- G. "MEABF" means the Municipal Employees' Annuity and Benefit Fund of Chicago.
- H. "MEABF Code-Required Amount" means, for any Payment Year, the amount of the City contribution to be paid to MEABF for such Payment Year pursuant to Article 8 of the Illinois Pension Code.

- I. “MEABF Excess Amount” means, for any Payment Year, the remainder, if any, after subtracting the MEABF Code-Required Amount for such Payment Year from the MEABF Ordinance Amount for such Payment Year.
- J. “MEABF Ordinance Amount” means, for any Payment Year, the amount of the City contribution to be paid to MEABF for such Payment Year pursuant to subsections (a) – (c) of Section 2-152-480 of this Code.
- K. “Payment Year” means the calendar year immediately following the levy year.

**2-152-480 City Contributions to MEABF.**

- (a) Beginning in Payment Year 2018, the City’s annual contribution to MEABF for Payment Years 2018 through 2022 shall be: for 2018, \$266,000,000; for 2019, \$344,000,000; for 2020, \$421,000,000; for 2021, \$499,000,000; and for 2022, \$576,000,000.
- (b) For Payment Years 2023 through 2058, the City’s annual contribution to MEABF shall be the amount determined by the City to be equal to the sum of (i) the City’s portion of the projected normal cost for that Payment Year, plus (ii) an amount determined on a level percentage of applicable employee payroll basis that is sufficient to bring the total actuarial assets of MEABF up to 90% of the total actuarial liabilities of MEABF by the end of 2058.
- (c) For Payment Years after 2058, the City’s annual contribution to MEABF shall be equal to the amount, if any, needed to bring the total actuarial assets of MEABF up to 90% of the total actuarial liabilities of MEABF as of the end of the Payment Year.
- (d) In making the determinations under paragraphs (b) and (c) of this Section, the actuarial calculations shall be determined by the City in such manner as shall be deemed necessary or advisable by an Authorized Officer. In connection therewith, each Authorized Officer is authorized to execute contracts and other required documents, payable by the City from legally available funds, with one or more actuaries as shall be selected by an Authorized Officer.
- (e) In the event that the Illinois Pension Code shall be amended so that, for any Payment Year, the MEABF Code-Required Amount for such Payment Year shall exceed the MEABF Ordinance Amount for such Payment Year, the City shall be obligated to contribute to MEABF for such Payment Year the MEABF Code-Required Amount for such Payment Year rather than the MEABF Ordinance Amount for such Payment Year.
- (f) For each Payment Year, that portion of the City’s contribution to MEABF equal to the MEABF Code-Required Amount for such Payment Year shall be used for such purposes and in such amounts as shall be determined by an Authorized Officer to be consistent with the requirements for City contributions to MEABF pursuant to Article 8 of the Illinois Pension Code. For each Payment Year for which the MEABF Excess Amount is

greater than zero, that portion of the City's contribution to MEABF for such Payment Year equal to the MEABF Excess Amount for such Payment Year shall not be used for administrative expenses of MEABF but shall otherwise be used for such purposes and in such amounts as shall be determined by an Authorized Officer to be consistent with the requirements for City contributions to MEABF pursuant to Article 8 of the Illinois Pension Code.

- (g) Each Authorized Officer is authorized to negotiate and execute one or more intergovernmental agreements and other documents and agreements with MEABF as shall be deemed necessary or advisable by an Authorized Officer in connection herewith.
- (h) For each Payment Year, the City shall be obligated to pay to MEABF only the amount determined pursuant to this Section, which shall include but not be in addition to the amounts required under Article 8 of the Illinois Pension Code.

#### **2-152-490 City Contributions to LABF.**

- (a) Beginning in Payment Year 2018, the City's annual contribution to LABF for Payment Years 2018 through 2022 shall be: for 2018, \$36,000,000; for 2019, \$48,000,000; for 2020, \$60,000,000; for 2021, \$72,000,000; and for 2022, \$84,000,000.
- (b) For Payment Years 2023 through 2058, the City's annual contribution to LABF shall be the amount determined by the City to be equal to the sum of (i) the City's portion of the projected normal cost for that Payment Year, plus (ii) an amount determined on a level percentage of applicable employee payroll basis that is sufficient to bring the total actuarial assets of LABF up to 90% of the total actuarial liabilities of LABF by the end of 2058.
- (c) For Payment Years after 2058, the City's annual contribution to LABF shall be equal to the amount, if any, needed to bring the total actuarial assets of LABF up to 90% of the total actuarial liabilities of LABF as of the end of the Payment Year.
- (d) In making the determinations under paragraphs (b) and (c) of this Section, the actuarial calculations shall be determined by the City in such manner as shall be deemed necessary or advisable by an Authorized Officer. In connection therewith, each Authorized Officer is authorized to execute contracts and other required documents, payable by the City from legally available funds, with one or more actuaries as shall be selected by an Authorized Officer.
- (e) In the event that the Illinois Pension Code shall be amended so that, for any Payment Year, the LABF Code-Required Amount for such Payment Year shall exceed the LABF Ordinance Amount for such Payment Year, the City shall be obligated to contribute to LABF for such Payment Year the LABF Code-Required Amount for such Payment Year rather than the LABF Ordinance Amount for such Payment Year.

- (f) For each Payment Year, that portion of the City's contribution to LABF equal to the LABF Code-Required Amount for such Payment Year shall be used for such purposes and in such amounts as shall be determined by an Authorized Officer to be consistent with the requirements for City contributions to LABF pursuant to Article 11 of the Illinois Pension Code. For each Payment Year for which the LABF Excess Amount is greater than zero, that portion of the City's contribution to LABF for such Payment Year equal to the LABF Excess Amount for such Payment Year shall not be used for administrative expenses of LABF but shall otherwise be used for such purposes and in such amounts as shall be determined by an Authorized Officer to be consistent with the requirements for City contributions to LABF pursuant to Article 11 of the Illinois Pension Code.
- (g) Each Authorized Officer is authorized to negotiate and execute one or more intergovernmental agreements and other documents and agreements with LABF as shall be deemed necessary or advisable by an Authorized Officer in connection herewith.
- (h) For each Payment Year, the City shall be obligated to pay to LABF only the amount determined pursuant to this Section, which shall include but not be in addition to the amounts required under Article 11 of the Illinois Pension Code.

**2-152-500 Use of Property Tax Revenues for City Contributions.**

In the event that the City levies a property tax to provide funds for any contributions described in Section 2-152-480 or 2-152-490, the City's obligation to make such contribution under such Section shall be satisfied upon the filing of a property tax levy for the specified contributions with the County Clerks for Cook and DuPage Counties. The City shall not thereafter be obligated for any loss in collections with respect to any such property tax levy.

**2-152-510 No Private Right of Action.**

The provisions of this Article shall not create any cause of action for MEABF, LABF, any member of either such pension fund, any taxpayer or resident of the City, or any other person or entity, to enforce the provisions hereof or in any other respect.

**SECTION 2.** To the extent that any ordinance, resolution, rule, order or provision of the Municipal Code of Chicago, or part thereof, is in conflict with the provisions of this ordinance, the provisions of this ordinance shall control. If any section, paragraph, clause or provision of this ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this ordinance.

**SECTION 3.** This ordinance shall be effective upon passage and approval.