

ORDINANCE

WHEREAS, On May 12, 2023, Mayor Lori Lightfoot filed Executive Order 2023-5, which ordered the Budget Director and Comptroller to take the necessary actions to establish a Pension Advance Fund, to hold an assigned fund balance from 2022 and 2023 for the advance payment of pension obligations, beyond the statutorily required amount; and,

WHEREAS, for such advance payment of pension obligations, the Chief Financial Officer shall determine the amount on an annual basis in accordance with the methodology set forth in Governmental Accounting Standards Board Statements Number 67 and Number 68; and,

WHEREAS, Executive Order 2023-5 estimated that the amount within the General Fund exceeding the estimated revenue less expenditures for the prior year in fiscal year 2022 and fiscal year 2023 was expected to be \$554.8 million and \$142.8 million, respectively; and,

WHEREAS, Comprehensive Annual Financial Reports demonstrate the amounts within the General Fund exceeding the estimated revenue less expenditures for the prior year in 2022 and 2023 were actually \$628.7 million and \$85.9 million, respectively; and,

WHEREAS, Executive Order 2023-5 did not estimate any amount within the General Fund exceeding the estimated revenue less expenditures for the prior year for 2024, but the Comprehensive Annual Financial Report demonstrates that expenses exceeded revenue collected by \$161.6 million in 2024; and,

WHEREAS, Executive Order 2023-5 estimated the advance pension contributions above the statutorily required amount for the applicable payment year, as defined in the Advance Pension Payment Policy, at \$241.0 million for 2024, \$214.7 million for 2025 and \$185.8 million for 2026; and,

WHEREAS, in addition to \$242.0 million in advance pension contribution line items in the 2023 budget, the 2024 budget actually appropriated \$306.6 million for advance pension payments, and the 2025 budget actually appropriated \$272.0 million for advance pension payments, based on line items in the final budget ordinance for each year; and,

WHEREAS, the advance payments have led to ratings upgrades, increases in funding ratios for each pension fund, and decreased total pension costs; and,

WHEREAS, the 2026 budget recommendations initially introduced to City Council contemplated advance pension payments totaling \$120.2 million, which is less than the \$185.8 million advance payment estimated by Executive Order 2023-5; and,

WHEREAS, on November 5, 2025, S & P Global downgraded the Chicago General Obligation debt rating outlook to “negative” from “stable”, citing the persistent structural budget deficit, significant weaker reserves following years of deficit spending, and reluctance to fully fund supplemental pension contributions in the fiscal 2026 proposed budget pursuant to the City’s advance pension funding policy; and,

WHEREAS, the City Council can further strengthen the credit outlook for the City by addressing the internal political conflicts around taxing, spending, and other issues, which have produced gridlock resulting in suboptimal fiscal outcomes, as cited by S & P Global (November 5, 2025), by codifying the final year of the Executive Order 2023-5 advance pension payment plan and demonstrating further plans for future advance pension payments beyond the statutorily amount as needed; now therefore

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:

SECTION 1 Chapter 3-92 is hereby amended by inserting the underscored language and removing the stricken language, as follows:

(Omitted text unaffected by this ordinance)

3-92-020 Definitions

(Omitted text unaffected by this ordinance)

(e) “Advance Pension Payment” shall have the meaning as described in Executive Order 2023-5, in conjunction with the Advance Pension Payment Policy and Governmental Accounting Standards Board Statements Number 67 and Number 68, as the actuarially recognized need to contribute additional or advance pension contributions above the statutorily required amount for the applicable payment year, in order to maintain or improve the funded ratio and liquidity of each pension fund.

(Omitted text unaffected by this ordinance)

3-92-075 Pensions.

(a) Levies required in order to meet the City’s contribution obligations under the Illinois Pension Code, 40 ILCS 5/1-101, et seq., are not included in the aggregate levy when computing the limitation on increases from year to year. From 2021 through 2058, such levies are expected to increase on a regular basis, due to the requirements of the Pension Code. For all four City funds (The Policemen’s Annuity and Benefit Fund; The Firemen’s Annuity and Benefit Fund; The Municipal Employees’, Officers’, and Officials’ Annuity and Benefit Fund; and The Laborers’ and Retirement Board Employees’ Annuity and Benefit Fund), the Pension Code provides that the City’s

required annual contribution shall be sufficient to cover its annual costs and, at the same time, bring the total assets of the fund up to 90% of its total actuarial liabilities by the mid-2050s. Beginning with the budget for fiscal year 2021, therefore, the City will include in each year's budget an increase in the property tax levy equal to the lesser of the most recently reported annual increase in the Consumer Price Index (CPI) or five percent, unless and until the Pension Code requirements set forth above have been met. For purposes of this section, CPI shall mean the national CPI-U for All Urban Consumers for the most recently reported December-to-December period. This section does not limit the authority of the City Council to make such other adjustments in the property tax levy as it may deem appropriate at any time.

(b) As ordered in Executive Order 2023-5, in the fiscal year of 2026 the City shall make an advance pension payment consisting of the greater amount of \$185.8 million or an other amount equal to the actuarial assumptions as calculated by the Chief Financial Officer in accordance with the Governmental Accounting Standards Board Statements Number 67 and Number 68.

(Omitted text unaffected by this ordinance)

SECTION 2 This ordinance shall be effective upon approval.

Bill Con (34)
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Daniel La Spata
Alderman, 1st Ward