



OFFICE OF THE MAYOR
CITY OF CHICAGO

LORI E. LIGHTFOOT
MAYOR

EXECUTIVE ORDER NO. 2023-5

WHEREAS, the City of Chicago maintains separate funds to account for its contributions to four pensions funds: the Municipal Employees' Annuity and Benefit Fund of Chicago, the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, and the Firemen's Annuity and Benefit Fund of Chicago; and

WHEREAS, the pension funds are established, administered, and financed pursuant to the Illinois Pension Code; and

WHEREAS, the pension funds play a critical role in providing benefits to City workers and supporting them in their retirement; and

WHEREAS, the City's accounting policies are based upon accounting principles generally accepted in the United States, as prescribed by the Governmental Accounting Standards Board (GASB); and

WHEREAS, the City implemented GASB Statement No. 67, *Financial Reporting for Pension Plans* ("GASB 67"), effective January 1, 2014, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), effective January 1, 2015; and

WHEREAS, the City implemented an Advance Pension Payment Policy in conjunction with the fiscal year 2023 budget in order to support the financial health of the pension funds; and

WHEREAS, such policy adjusts the annual pension contribution to prevent the growth of, and stabilize, the net pension liability of the City's four pension funds; and

WHEREAS, the City's advance pension contribution policy requires the Chief Financial Officer to estimate the advance pension contribution required to keep the net pension liability stable, as calculated in accordance with GASB 67 and GASB 68; and

WHEREAS, fund balances that are classified as being assigned include amounts that are constrained by the City's intent to be used for specific purposes; and

WHEREAS, such intent is expressed within the Advance Pension Payment Policy; and

WHEREAS, providing additional liquidity to the pension funds prevents asset sales and allows for the continued payment of benefits in a volatile investment market; and

WHEREAS, advance pension contribution is projected to save approximately \$3 billion in actuarial interest; and

WHEREAS, bond rating agencies have recently upgraded the City's long-term ratings with a positive outlook, in part due to additional pension funding, which should reduce the City's borrowing costs; now, therefore,

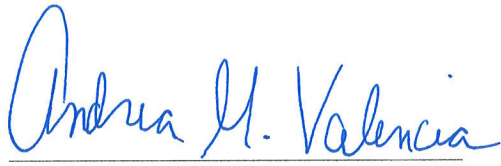
I, LORI E. LIGHTFOOT, Mayor of the City of Chicago, do hereby order as follows:

The Budget Director and Comptroller shall take the necessary actions to establish a Pension Advance Fund. The intended purpose of the Pension Advance Fund shall be to hold an assigned fund balance from 2022 and 2023 for the advance payment of pension obligations, beyond the statutorily required amount, starting in fiscal year 2024, for as long as funds remain available as defined in the advance pension contribution policy and delegated to the Chief Financial Officer to determine the amount on an annual basis in accordance with the methodology set forth in Governmental Accounting Standards Board Statements No. 67 and No. 68. The fund balance shall be assigned from the amount within the General Fund exceeding the estimated revenue less expenditures for the prior year in fiscal year 2022 and fiscal year 2023, currently estimated at \$554.8 million and \$142.8 million, respectively. These figures may change based on changes in actual revenue recognized and/or expenditures incurred. The fund balance within the Pension Advance Fund shall only be used to pay for advance pension contributions above the statutorily required amount for the applicable payment year, as defined in the Advance Pension Payment Policy and finalized during the annual budget. These amounts are currently estimated at \$241.0 million for fiscal year 2024, \$214.7 million for fiscal year 2025 and \$185.8 million for fiscal year 2026 as of the date of this Executive Order. These figures may change based on changes in actuarial assumptions.

This Order shall take effect upon its execution and filing with the City Clerk.


Mayor

Received and filed May 12, 2023


City Clerk

Chicago City Clerk - Council Div.
2023 MAY 12 AM 9:45