



CITY OF CHICAGO • OFFICE OF THE MAYOR



FOR IMMEDIATE RELEASE

May 12, 2023

CONTACT:

Mayor's Press Office

312.744.3334

press@cityofchicago.org

**MAYOR LIGHTFOOT ANNOUNCES EXECUTIVE ORDER ESTABLISHING THE
PENSION ADVANCE FUND**

The fund shall hold a projected fund balance from fiscal years 2022 and 2023 for the advance payment of pension obligations outlined in the Advance pension policy

CHICAGO — Today, Mayor Lori E. Lightfoot signed an Executive Order securing the City's commitment to pension stability for years to come. The Executive Order establishes and authorizes the City to assign \$641.5M of projected 2022/2023 fund balance to a Pension Advance Fund. The fund shall only be used to cover advance pension payments for 2024, 2025, and 2026. The funds are provided from current fund balance reserves, which were a result of multi-year surpluses in FY2022 and FY2023.

"Under my administration, Chicago has put its fiscal house in order, and I'm proud of the financial turnaround our team led," said Mayor Lightfoot. "With this Executive Order, we are solidifying that legacy to help ensure pension stability for City workers and put Chicago on a strong financial path forward."

In FY2023 the City implemented its Advance Pension Payment policy, which is projected to reduce pension contributions by approximately \$3B. The City also made its first advance pension payment of \$242M in January 2023. Rating agencies noted the policy in recent upgrades as a key contributor to the City's improved ratings. The Executive Order will ensure that this advance payment is funded through 2026 and serves as a one-time bridge to when the City expects to receive casino revenues to support pension payments.

"The Advance Pension Payment policy is a demonstration of Mayor Lightfoot's commitment to funding pensions and ensuring the retirements of essential City workers," said Jennie Huang Bennett, Chief Financial Officer. "This Advance Pension Payment policy also is the key factor in Moody's upgrade of the City's rating from junk status to investment grade and Fitch's one notch rating upgrade."



CITY OF CHICAGO • OFFICE OF THE MAYOR



Rating agency upgrades save the City in interest costs. The City expects to save \$100M for every \$1B in bonds it issues. The City issues \$1-2B in bonds annually. One hundred million can fund 56 miles of paved roads, three police station, and a new high school.

The Advance Pension Payment policy also provides liquidity to the pension funds to prevent the funds from having to sell investments assets, especially in a market downturn. This allows the pension funds to extend the duration of its investments and make investments in certain asset classes, both of which improve investment returns and helps supports the financial stability of the pension funds.

Over the course of Mayor Lightfoot's term, the City has made significant strides in pension funding. The City has increased pension funding by \$1.3B annually over the last four years. In FY2021, the City saw the first increase in funded ratio for all four pension funds for the first time in 15 years. In FY2022, for the first time in the City's history, the City funded an actuarially calculated pension payment for all four pension funds. For FY2024 and beyond, the projected actuarial employer contributions are expected to grow at 1.6% annually, which would be one of the lowest growing costs of the City's expenditure profile.

The City has also discussed the intent to use the FY2022 and FY2023 surplus for the advance pension payment with rating agencies, bondholders, and the City's four pension funds. This plan is also laid out in the City's Mid-Year Budget Forecast.

###