Mayor Rahm Emanuel and the City's union partners announced today an agreement in principle to put the Municipal Employees' Annuity and Benefit Fund (MEABF) on a path to solvency. If approved by City Council, this final agreement, just as the three pension agreements before it, represents a shared solution for securing the retirements of employees and retirees, while protecting Chicago taxpayers from solely bearing the full burden of growing pension costs in the future.

"This agreement represents an incredible milestone on the road to financial recovery; for the first time in a very long time, every single one of our pension funds is on a path to financial security," said Mayor Emanuel. "No longer will Chicago sit in the pension penalty box—where our economy is dogged by the decisions of the past and our neighborhood investments live in limbo. These are difficult decisions, and I know the solutions are not easy, but we will finally be honest about the cost of running the City, we will finally be able to confidently invest in our communities, and we will leave Chicago better than we found it for our children and grandchildren."

To stabilize the MEABF, the City will propose a tax on water-sewer usage that will be assessed on Chicago businesses’ and residents’ unified utility bill. Starting in 2017, residents and businesses will pay a rate of $0.59 per 1,000 gallons based on their water and sewer usage. The tax will be phased in over five years, ending with a tax rate of $2.51 per 1,000 gallons of water and sewer usage in 2020. The average household uses approximately 7,500 gallons of water a month, meaning the average household will pay approximately $4.43 more per month in 2017. The Administration will seek City Council approval of the tax on water-sewer usage.
As the City increases contributions to the MEABF, the agreement provides real and sustainable changes to pension benefits to protect taxpayers and put the MEABF on a path to solvency.

“The Labor Movement is committed to working with the city to develop equitable solutions to fix ongoing fiscal problems,” said Jorge Ramirez, President of the Chicago Federation of Labor. “Many of our affiliated unions believe that this plan is the path forward to a secure pension system for city workers and support its implementation. While any plan that introduces a new revenue source is going to be controversial, this is a positive step forward in addressing the retirement security for the workers in the MEABF pension fund. In fact, what everyone agrees on is the pension system is at a critical level and it needs to be corrected quickly. Everyone also agrees that city workers have faithfully paid their portion of the pension and they should not be vilified for receiving the pensions that will be their only source of retirement income.”

The plan increases contributions by three percent for new hires and lowers the age of eligibility for full benefits from 67 to 65 for any new employee hired on or after January 1, 2017. Further, the plan provides employees hired after January 1, 2011, the opportunity to accept a lower eligibility age of 65 for full benefits in exchange for increasing their payroll contributions by three percent.

Under this agreement, the revenue from this tax, in addition to existing MEABF funding and the proportionate share from enterprise funds, will pay the City’s pension contributions beginning with the 2017 contribution. The City will begin making contributions on an actuarially-basis by 2022, and MEABF will achieve a 90 percent funded ratio by 2057.

The City will seek approval from Springfield for increased contributions. Without action, the MEABF will become insolvent in 2025.

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