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CITY COUNCIL PASSES FINAL PENSION FUNDING SOLUTION
Mayor Emanuel and City Council Identify and Codify Reasonable Funding Solution and Achieve a Shared Path Forward to Stabilize Fourth and Final Pension Fund

City Council passed today the water-sewer tax to finally put the Municipal Employees’ Annuity and Benefit Fund (MEABF) on a path to solvency. This final agreement to prevent bankruptcy of the MEABF was reached in partnership between Mayor Rahm Emanuel, the City Council and union leaders. Just as the three pension agreements before it, the now codified dedicated revenue source and proposed funding 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.

“With today’s action by City Council, all four of Chicago’s pension funds are now off the road to bankruptcy and on the path to solvency,” said Mayor Emanuel. “Not only are we shoring up the City’s finances, we’re ensuring that thousands of workers are able to retire with dignity and security.”

To put the MEABF on a path to solvency, the City will implement a tax in 2017 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 and 2021.

With the implementation of this tax, Chicago’s water and sewer rates will continue to compare favorably to those of other major cities in the Great Lakes region and nationally. Additionally, assuming Chicago’s suburban neighbors do not raise water rates over the next five years, Chicago’s water rate in 2021 will still be comparatively lower than 104 of 126 suburban customers’ residential rates.

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.
As part of the water-sewer tax, seniors who receive the senior sewer exemption will continue to receive the exemption and that exemption will also apply to the tax. The senior sewer exemption reduces eligible seniors’ total water and sewer bill by 50 percent by removing sewer charges. Seniors receiving the exemption will also see a 50 percent reduction in the tax on water-sewer usage as the tax will only be charged to the water portion of the bill.

With the funding source codified, the City will seek approval from Springfield this fall for increased employer contributions and certain employee contribution reforms within the MEABF. The Illinois General Assembly will be asked to approve a plan to increase 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. Additionally, legislation will include an opportunity for employees hired after January 1, 2011, to accept a lower eligibility age of 65 for full benefits in exchange for increasing their payroll contributions by three percent (11.5%).

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