

2016 BUDGET PROPOSAL

POLICE AND FIRE PENSIONS: A SECURE AND SUSTAINABLE PLAN TO MEET OUR OBLIGATIONS WHILE PROTECTING WORKING FAMILIES AND SENIORS

Mayor Emanuel's sustainable plans for Chicago Police and Fire pension funds will end decades of legacy underfunding, meet our obligations to our first responders, and put the City on a path toward a stronger economic future. With the 2016 Budget, Mayor Emanuel will put an end to years of kicking the can down the road and ensure pensions for our first responders are stabilized and funded by phasing-in a property tax increase over the next four years. This increase in the property tax levy – the first of the Emanuel Administration – is a last resort after the Mayor focused first on reforms and savings with \$170 million in savings, reforms and efficiencies in the 2016 budget and a total of more than \$600 million in reforms since 2011. To ensure that this necessary increase does not hurt middle- and lower-income families and seniors, the Emanuel Administration, in conjunction with state legislative leadership, is seeking an expansion of the homeowner's exemption.

The Mayor's plan includes:

Property Tax Increase To Ensure Stable and Secure Funding Source Entirely Dedicated to First Responder Pensions. The City's Police and Fire pension contribution are dramatically increasing over the four-year period for which the property tax increase is proposed as the City's contributions ramp to annual required contribution (ARC) based on actuarial standards. Beginning in 2015, the contributions increase to \$619 million (2015), \$672 million (2016), \$727 million (2017), and \$792 million (2018). The proposed property tax increase will ensure the City fully meets our first responder pension obligations, providing a stable and secure source of revenue consistent with state pension code law that identifies property taxes as the appropriate sources for pension funding. To meet our first responder pension obligations as the City ramps to the ARC, the property tax increases would be \$318 million in 2015, \$109 million in 2016, \$53 million in 2017, and \$63 million in 2018, for a total of \$543 by the end of 2018. In 2018, the City's Police and Fire pension fund contribution will be \$792 million and the property tax levy will provide full funding for that contribution (less the enterprise funds' share of the pension contribution).

Breakdown By Year:

2015: Additional \$318 million

2016: Additional \$109 million

2017: Additional \$53 million

2018: Additional \$63 million

Balanced Approach that Protects Working Families and Seniors. Mayor Emanuel is working with leadership in the State General Assembly to pass legislation that will minimize the additional tax paid by the average homeowner. Increasing the homeowner's exemption will ensure that middle class families pay less, while one-fourth of the property tax increase paid by property owners in thriving central business district. With the homeowner exemption expansion, homeowners with homes valued at \$250K or less – approximately 70% of the City will see no increase in their property taxes for Police and Fire pension funding.