

RATIFY THE THIRD RENEWAL OF THE INTERGOVERNMENTAL AGREEMENT WITH THE CITY OF CHICAGO FOR THE MUNICIPAL EMPLOYEES' ANNUITY AND BENEFIT FUND

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Ratify the third renewal of the Intergovernmental Agreement (“IGA” or “agreement”) with the City of Chicago (“City”) for the Municipal Employees’ Annuity and Benefit Fund (the “Fund”) at an estimated cost set forth in the Compensation Section of this report. No payment shall be made to the City during the option period prior to execution of the third agreement to the renewal and amend intergovernmental agreement. The authority granted herein shall automatically rescind in the event an agreement is not executed within 120 days of the date of this Board Report. Information pertinent to this option is stated below.

This Third Renewal is necessary to extend the term of the Agreement and to authorize additional payment to the City in the amount of \$175,000,000 effective January 1, 2023.

AGENCY: City of Chicago, Department of Finance
121 N. LaSalle
Chicago, IL 60602
Contact: Jill Jaworski, Chief Financial Officer
(312) 744-2204

USER: Board of Education of the City of Chicago
Chicago Public Schools
42 W. Madison
Chicago, IL 60602
Contact: Miroslava Mejia Krug, Chief Financial Officer
(773) 553-1561

DESCRIPTION: The Fund is a pension fund established and operated pursuant to Article 8 of the Illinois Pension Code (40 ILCS 5/8-101 et seq.) (the “Code”). Pursuant to the Code, certain employees and retired employees of the City (“City Employees”) and certain employees and retired employees of the Board (“Board Employees”), among others, are entitled to be paid certain annuities and benefits by the Fund. The Board of Education will reimburse the City a portion of the amount of the City’s required contribution under Section 5/8-173 of the Code attributable to the annuities and benefits for Board Employees. The Board and the City entered into an IGA effective January 21, 2020, under which, the Board absorbed a portion of the costs associated with its non-teaching employees covered by the Fund. The first renewal and amendment to the IGA increased the payment to the City from \$60,000,000 to \$100,000,000 effective July 1, 2021 and ending December 31, 2021, and changed the payment date of the Board’s payment for that period to fund normal cost obligations for the CPS employees who are active. The second renewal and amendment to the IGA increased the payment to the City from \$100,000,000 to \$175,000,000 for the Board’s fiscal year 2023 and extended the term of the Agreement through December 31, 2022. The third renewal and amendment to the IGA will extend the term of the Agreement and to authorize an additional payment to the City in the amount of \$175,000,000.

ORIGINAL AGREEMENT: The original IGA (authorized by Board Report 19-1120-FN1) with a not-to-exceed amount of \$60,000,000 was for a term commencing January 21, 2020 and ending December 31, 2020. The IGA provides for annual renewals, but not past calendar year 2059, on the same terms and conditions contained in the original IGA subject to written approval by the parties’ authorized representatives. The City and the Board subsequently entered into a First Agreement to Renew and Amend (authorized by Board Report 20-0923-FN1) which extended the Original Term through the end of the City’s 2021 fiscal year, which was December 31, 2021, and increased the Board’s contribution to the Fund from \$60,000,000 to \$100,000,000. The second renewal and amendment to the IGA (authorized by Board Report 22-0525-EX4) increased the payment to the City from \$100,000,000 to \$175,000,000 for the Board’s fiscal year 2023 and extended the term of the Agreement through December 31, 2022.

OPTION PERIOD:

The term of this agreement is being renewed for one (1) year commencing January 1, 2023 and ending December 31, 2023.

OPTION PERIODS REMAINING:

This agreement will renew annually, but not past calendar year 2059.

RESPONSIBILITIES OF PARTIES:

The Board of Education hereby agrees that for the option period, it shall pay the City not later than March 31, 2024, \$175,000,000 from the Board's fiscal year 2023 and fiscal year 2024.

The City and the Board of Education agree to cooperate in the implementation of this agreement.

COMPENSATION:

The City shall be paid as set forth in the agreement. The estimated annual cost for the one-year renewal term is \$70,000,000 allocated from the Board's fiscal year 2023 and \$105,000,000 allocated for the Board's fiscal year 2024, for a total of \$175,000,000 during the renewal term.

AUTHORIZATION:

Authorize the General Counsel to include other relevant terms and conditions in the written option document. Authorize the President and Secretary to execute the written option document. Authorize the Chief Financial Officer to execute all ancillary documents required to administer or effectuate this option document.

AFFIRMATIVE ACTION:

Pursuant to the Remedial Program for Minority and Women-Owned Business Enterprise Participation in Goods and Services Contracts (M/WBE Program), this contract is exempt as this contract is an intergovernmental agreement.

LSC REVIEW:

Local School Council approval is not applicable to this report.

FINANCIAL:

Fund 115

Department: Department of Finance

FY23 \$70,000,000

FY24 \$105,000,000

Future year funding is contingent upon budget appropriation and approval.

GENERAL CONDITIONS:

Inspector General - Each party to the agreement shall acknowledge that, in accordance with 105 ILCS 5/34-13.1, the Inspector General of the Chicago Board of Education has the authority to conduct certain investigations and that the Inspector General shall have access to all information and personnel necessary to conduct those investigations.

Conflicts - The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board members during the one year period following expiration or other termination of their terms of office.

Indebtedness - The Board's Indebtedness Policy adopted June 26, 1996 (96-0626-PO3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Ethics - The Board's Ethics Code adopted May 25, 2011 (11-0525-PO2), as amended from time to time, shall be incorporated into and made a part of the agreement.

Contingent Liability - The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

Approved for Consideration:

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Miroslava Mejia Krug
Chief Financial Officer

Approved:

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Pedro Martinez
Chief Executive Officer

Approved as to Legal Form:

DocuSigned by:

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Ruchi Verma
General Counsel