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Illinois Governor Vetoes Chicago Pension Fix, Angers City's Mayor.

CHICAGO — Illinois Governor Bruce Rauner on Friday vetoed a legislative fix favored by Chicago Mayor Rahm Emanuel for two of the city's struggling pension funds and castigated it as a "kick-the-can approach."

The financial footing and credit ratings for the nation's third-largest city have slipped precipitously as its unfunded pension liabilities grew to \$33.8 billion for Chicago's four retirement systems in the most recent accounting.

The plan that passed the Illinois Senate unanimously in January and cleared the House overwhelmingly last December would have granted the state's blessing to alter the city's pension repayment schedule for its municipal and laborers' retirement systems.

The systems are projected to run out of money in the coming decade and were depending on legislative sign-off of the city's enactment of a water and sewer usage tax and telephone surcharge designed to help get them 90 percent funded in 40 years.

City officials have acknowledged that more money will be needed starting in 2023 when payments will reach actuarially required levels.

But Rauner rejected the package, saying it created a payment schedule that eventually would necessitate a tax increase for Chicago. He said it needed to be part of a broader, statewide pension funding strategy to address Illinois' \$129.8 billion unfunded pension liability.

"This is another kick-the-can approach to pension funding that landed Chicago in fiscal crisis in the first place," Rauner said in a prepared statement. "This bill will create an unsustainable funding schedule that will lead to tax increases without solving the real problem."

A spokesman for the Democratic mayor slammed the Republican governor's action as an "irresponsible and irrational decision."

"Instead of helping secure the future of our taxpayers and middle-class retirees, the governor chose to hold them hostage – just as he has done to social service providers, schoolchildren and universities across the state," Emanuel spokesman Adam Collins said in a statement, referring to Rauner's inability to broker a state budget deal for 21 months.

Rauner's action left Democrats with no ability to block his veto because the pension bailout passed in the previous session of the state General Assembly, which ended in mid-January, and the governor's only options were to approve or reject the measure.

But the city is pinning its hopes on an identical piece of legislation that passed the newly seated state Senate in late January and is awaiting action in the House, Collins said.

By REUTERS

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(Editing by Matthew Lewis)

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