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Illinois Legislative Leaders Try to Sell Pension Agreement.

Illinois legislative leaders are trying to persuade lawmakers to embrace a solution for the nation's worst-funded U.S. public pension system as unions representing hundreds of thousands of workers and retirees push against the proposal.

The holiday weekend of lobbying is the prelude to the legislature's Dec. 3 return, when the Democrat-dominated General Assembly will consider the plan designed to save \$160 billion over 30 years and restore stability to the retirement system. Within an hour of the tentative deal's announcement, labor unions mobilized against it.

"If their new plan is in line with what's been reported from earlier discussions, then it's an unfair, unconstitutional scheme that undermines retirement security," We Are One Illinois, a coalition of unions, said in a statement.

Illinois's five pension systems had 40 percent of the assets needed to cover obligations in fiscal 2011, the lowest ratio among states, data compiled by Bloomberg show. That has led to repeated credit downgrades for the lowest-rated U.S. state.

The proposal would reduce by one percentage point the amount employees contribute from their paychecks, according to a memo released today by House Speaker Michael Madigan's office. The bulk of the savings would come from reductions in annual cost-of-living payments.

Benefits Delayed

Payments would be calculated against a sum equal to the number of years an employee worked, times \$1,000, the memo said. The retirement age for workers younger than 45 would be raised, requiring employees to work as many as five years longer before receiving benefits. Employees could also choose a 401(k)-style retirement plan.

If the state didn't make annual pension contributions to the funds, the retirement systems would be allowed to go to the Illinois Supreme Court "to compel the state to make the required pension payment," the memo said.

The proposal, agreed to by Democratic and Republican leaders, follows months of discussions by a special legislative panel appointed to develop a compromise.

"I asked members to draft a plan that eliminated the unfunded pension debt and fully stabilized the systems, and this plan meets that standard," Democratic Governor Pat Quinn said in a statement. "We have more work to do. I look forward to working with the leaders and members of the General Assembly over the coming days to get this job done."

Repeated Attempts

Resolving Illinois's pension shortfall has proven a challenge. Lawmakers have failed at least five times in the last 15 months to restructure the plans covering 761,000 employees and retirees.

Despite the backing of legislative leaders, approval by a majority of both houses is not assured.

“The Senate president will be debriefing members of his caucus in the coming days in hopes of garnering support,” said Ronald Holmes, a spokesman for Senate President John Cullerton.

Illinois has the lowest credit standing among U.S. states from the three biggest rating companies, at four steps above junk. The firms have repeatedly cited the pension shortfall as the basis for the reductions.

By Tim Jones – Nov 29, 2013 11:47 AM PT

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