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## **Illinois Fights Court Block of \$111 Billion Deficit Fix.**

Illinois Attorney General Lisa Madigan is asking the state's top court to reinstate a plan to fix a \$111 billion pension deficit, a case that may resonate across the U.S. as governments seek to trim public employee benefits to close budget gaps.

Illinois's pension deficit is the biggest in the U.S. Democratic Governor Pat Quinn signed legislation in 2013 that would save \$145 billion over 30 years by cutting cost-of-living increases and raising retirement ages.

Judge John W. Belz in Springfield on Nov. 21 struck down the law, ruling it violated a state constitutional prohibition against reducing public worker retirement benefits.

"The court finds that there is no police power or reserved sovereign power to diminish pension benefits," Belz wrote, rejecting the state's arguments to the contrary.

Madigan filed a notice of appeal yesterday.

State constitutions have been invoked elsewhere to try to prevent cuts to public pensions. In Rhode Island, unions settled with the state over pension cuts before their constitutional challenge could be put to the test. In municipal bankruptcy cases in Detroit and California, judges ruled that federal law overrode state bans on cutting pensions.

### **State Constitutions**

Seven states have constitutional provisions that protect public worker pensions, said James Spiotto, a bankruptcy specialist and managing director at Chicago's Chapman Strategic Advisors LLC, which advises creditors on financial restructuring.

State and local governments must confront the rising costs of retirement benefits before they hurt essential services such as police and fire protection, Spiotto said last week in an e-mail.

Challengers of the Illinois legislation, which included a coalition of public unions and pension plan beneficiaries, received a boost in July when the Illinois Supreme Court disallowed a plan to reduce contributions to retiree health-insurance premiums, citing the same constitutional provision.

Quinn lost a bid for re-election to Republican Bruce Rauner on Nov. 4.

The case is *In re Pension Litigation*, 2014-MR-000001, Sangamon County, Illinois, Circuit Court (Springfield).

BLOOMBERG

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