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## **Illinois Supreme Court Strikes Down Law to Rein in Public Sector Pensions.**

The Illinois Supreme Court declared in a ruling Friday that the state's landmark 2013 pension overhaul violates the state constitution, unraveling an effort by state lawmakers to rein in benefits for a public-sector pension system they have consistently underfunded over the years.

The current pension shortfall is estimated at \$111 billion, one of the largest nationally.

The high court affirmed a decision in November by a state circuit court that the legislative changes violated pension protection measures written into the state constitution. The decision sided with public-sector unions, who challenged the law. The ruling said the constitution is unambiguous on the issue and dismissed the state's argument that so-called police powers in place to protect public safety and welfare give lawmakers the authority to cut retirement benefits.

"From the beginning of our pension reform debates, I expressed concern about the constitutionality of the plan that we ultimately advanced as a test case for the court," said John Cullerton, Illinois's Senate president and a Democrat. "Regardless of political considerations or fiscal circumstances, state leaders cannot renege on pension obligations."

Last month, the Oregon Supreme Court reversed a core element of that state's controversial 2013 pension overhaul, concluding that annual cost-of-living adjustment cuts to its retired workforce were unconstitutional.

State and local governments have tried to remedy their growing pension-funding gaps by curbing benefits—some for current employees. Those pension cuts have faced legal challenges in more than a dozen states, including Illinois and Oregon, according to the Center for Retirement Research at Boston College.

The Illinois law would have reduced future retirement costs by shrinking cost-of-living increases for retirees, raising retirement ages for younger employees and capping the size of pensions.

Union leaders hailed the victory. "The court's ruling confirms that the Illinois Constitution ensures against the government's unilateral diminishment or impairment of public pensions," said Michael Carrigan, president of the Illinois ALF-CIO, speaking on behalf of the We Are One Illinois coalition of unions.

But the rejection of the law as unconstitutional poses a huge challenge for the state's new Republican governor, Bruce Rauner, who also faces a looming budget deficit after a special recession-era tax increase expired at the end of last year.

A spokesman for Mr. Rauner said the governor's office planned to issue a statement soon.

Meanwhile, the city of Chicago also faces its own pension and budget woes. A spokesman for Mayor Rahm Emanuel, who was re-elected last month to a four-year term, also didn't immediately respond

to a request for comment.

Justices acknowledged that the state is in a financial fix, but that doesn't allow lawmakers to violate the constitution. "The financial challenges facing state and local governments in Illinois are well known and significant," the high court said. "In ruling as we have today, we do not mean to minimize the gravity of the state's problems or the magnitude of the difficulty facing our elected representatives. It is our obligation, however, just as it is theirs, to ensure that the law is followed."

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