

# **Bond Case Briefs**

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## **Chicago to Argue for Pension Reforms Before State High Court in November.**

CHICAGO — Lawyers for the city of Chicago will appear before the Illinois Supreme Court in November to argue that a law aimed at shoring up two of the city's financially shaky public pensions is constitutional, according to a Thursday court order.

A Cook County judge had ruled against the law in late July, saying it violates pension protections in the Illinois constitution. The ruling was a setback for Mayor Rahm Emanuel, who has repeatedly said he will not raise taxes without pension reforms.

The Illinois Supreme Court set a calendar for lawyers' written briefs and oral arguments on Thursday.

Cook County Circuit Court Judge Rita Novak rejected Chicago's arguments that the 2014 law results in a net benefit because it will save the municipal and laborers' retirement systems from insolvency and that the law was backed by a majority of affected labor unions.

Novak also took issue with the city's contention that it was not legally on the hook to pay pensions.

The law requires Chicago and affected workers to make bigger contributions to the pensions and replaces an automatic 3 percent annual cost-of-living increase for retirees with one tied to inflation. Those increases are also skipped in some years.

Pension payments are devouring bigger chunks of budgets for Illinois and Chicago and both face crippling spending cuts or big tax increases if those payments are not reduced. Illinois has the worst-funded pension system among U.S. states and a \$105 billion unfunded pension liability, while Chicago's unfunded liability for its four systems is \$20 billion.

Arlene Bohner, a Fitch analyst, said in July that a ruling by the state supreme court tossing out the law "could very well lead to a downgrade."

Representatives for the nation's third-largest city and for the union representing city workers were not immediately available for comment.

By REUTERS

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(Reporting by Mary Wisniewski; Editing by Lisa Lambert)