

# **Bond Case Briefs**

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## **Illinois Will Delay Pension Payment Because of Cash Shortage.**

Illinois will delay payments to its pension fund as a prolonged budget impasse causes a cash shortage, Comptroller Leslie Geissler Munger said.

The spending standoff between Republican Governor Bruce Rauner and Democratic legislative leaders has extended into its fourth month with no signs of ending. Munger said her office will postpone a \$560 million retirement-fund payment next month, and may make the December contribution late.

"This decision is choosing the least of a number of bad options," Munger told reporters in Chicago on Wednesday. "For all intents and purposes, we are out of money now."

Munger said the pension systems will be paid in full by the end of the fiscal year in June. The state still is making bond payments, and retirees are receiving checks, she said.

"We prioritize the bond payments above everything else," Munger told reporters.

The pension payment delay was inevitable, said some who have been watching the budget gridlock.

"This is just the tip of the iceberg," said Ralph Martire, executive director of the Chicago-based Center for Tax and Budget Accountability, which monitors Illinois finances.

"Every month they go without resolving the impasse on the budget means it'll cost more to ultimately resolve it," Martire said. "This is a natural, predictable consequence if you do something called math."

### **Bond Doldrums**

Investors have long penalized the state for its fiscal woes. Illinois holds the lowest credit rating among U.S. states with an A3 from Moody's Investors Service, four steps above junk, and an equivalent A- from Standard & Poor's. Municipal investors demand an extra 1.9 percentage points to buy 10-year Illinois bonds instead of benchmark munis, according to data compiled by Bloomberg.

"We're looking for signs that the we're going to hit a level patch," said Paul Mansour, head of municipal research in Hartford, Connecticut, at Conning, which holds Illinois debt among its \$11 billion of municipal securities. "But this is an indication we're still going down the hill."

### **Bloomberg News**

by Elizabeth Campbell and Tim Jones

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