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Chicago in Tough Battle to Overturn Ruling on Pension Reforms.

CHICAGO — Chicago tried to convince a sometimes skeptical Illinois Supreme Court on Tuesday that a 2014 law deserves to survive a constitutional challenge because it aims to save two of the city's retirement funds from insolvency by guaranteeing adequate funding.

The city, which is struggling with a \$20 billion unfunded pension liability in its four retirement systems, is appealing a Cook County Circuit Court judge's July decision voiding the law.

In oral arguments on Tuesday, Chicago's top city attorney, Stephen Patton, said while the law includes "modest reductions in future automatic increases" in retiree pensions, it differs from a 2013 law that unilaterally cut benefits for Illinois' retirement systems and was struck down as unconstitutional by the state high court in May.

"This case is unique, it is different because the act here overwhelmingly benefits fund participants and avoids insolvency. It does not diminish or impair benefits under the plan language of the (Illinois Constitution's) pension clause," Patton told the court.

The supreme court in May tossed out the 2013 law that reduced retirement benefits for state workers to ease Illinois' \$105 billion unfunded pension liability. All seven justices agreed that the Illinois Constitution protected public sector workers against pension benefits cuts.

At Tuesday's proceeding, some of the justices appeared to key off that ruling in questions posed to Patton and attorneys for Chicago's municipal and laborers' pension funds.

Justice Robert Thomas questioned how guaranteeing to fund existing promised pension benefits constituted an enhancement for workers. "How is that a plus?" he asked.

Patton contended that without the law, the legal responsibility to pay out pensions lies with the two funds alone and not with the city.

"What use is a benefit unless the money is there to pay it?" the attorney said, noting that under the law the city assumes an obligation it never had before to pay pensions.

John Shapiro, an attorney at Freeborn & Peters representing some of the unions and retirees who filed challenges to the 2014 law last December, told the justices that Chicago merely wishes to avoid paying for benefits promised to its workers, in violation of the pension protection clause.

"The city wants to use monies that would otherwise be contributed to these funds for other services," he said.

Cook County Judge Rita Novak in July rejected the city's argument that the law provided a net benefit by saving the municipal and laborers' retirement systems from insolvency in the next decade.

She also rejected the city's argument that the law should stand because it was backed by a majority of labor unions.

The law required Chicago and affected workers to increase their pension contributions and replaced an automatic 3 percent annual cost-of-living increase for retirees with one tied to inflation. The increase would be skipped in some years.

Chicago Mayor Rahm Emanuel's fiscal 2016 budget incorporates the law, as well as pending legislation that would reduce city contributions to its two public safety worker funds. The budget was approved by the city council on Oct. 28.

By REUTERS

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