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Illinois Supreme Court Strikes Down Chicago Pensions Plan.

SPRINGFIELD, Ill. — The Illinois Supreme Court dealt another devastating blow Thursday to the state's impatient attempts to control ballooning public pension debt, striking down a law that would have cut into an \$8 billion hole in two of Chicago's employee retirement accounts and leaving officials searching for new options to shore up an already wobbly program.

The city had hoped that by pointing to the steep increase in taxpayer-fueled contributions the law required it would be able to sidestep a widely expected ruling that the plan violated the Illinois Constitution's protection against reducing pension benefits.

But the court's unanimous finding in favor of pension participants who pointed to reduced future benefits and higher contributions sends the city back to the bargaining table.

Republican Gov. Bruce Rauner used the ruling to tout a proposal by Democratic Senate President John Cullerton that would offer workers a choice of future cost-of-living increases based on current salary, or lowered increases tied to future pay raises. The idea is, benefits already collected don't go away.

"We've got to stop changing and taking away peoples accrued pension benefits," Rauner said at a stop in Paxton, according to audio released by his office. "Let's propose changes for future work with 'consideration' so teachers or police officers or public places can choose different pensions for the future."

An expert on Illinois finances said it's time to amend the Illinois Constitution to make the pension protection language clear. Lawmakers vowed to keep trying.

To stave off insolvency by 2029, the law forced the city to significantly ramp up its annual contributions, but also cut benefits and required larger contributions from about 61,000 current and retired librarians, nurses, non-teaching school employees laborers and more.

Critics targeted the law from the start, in part because it addressed only two funds — civil servants and laborers. When including police and fire pension programs, the city's total liability was \$20 billion — not counting a \$9.6 billion shortfall in the Chicago Public Schools teachers' pension account. The City Council approved a \$543 million property-tax increase last fall — to deal with shortages in police and fire funds.

The order came less than a year after the high court used the same reasoning to shoot down a separate pension bailout: the \$111 billion deficit in state-employee retirement accounts.

And other cities are not far behind, facing similar shortfalls.

Laurence Msall, president of the Civic Federation, a Chicago-based tax policy and research group, suggested the iron-clad constitutional language threatens any proposal. He suggests a constitutional amendment that loosens its restrictions.

“We’re not advocating for any specific plan,” Msall said. “We’re supporting the need for clarity in the constitution so those ideas can be legislated.”

Chicago Mayor Rahm Emanuel, who inherited the crisis, disagreed with the ruling but pledged to reconvene negotiations on a new framework.

“My administration will continue to work with our labor partners on a shared path forward,” the Democrat said in a statement.

The four unions representing the plaintiffs were more sanguine.

“This ruling makes clear again that the politicians who ran up the debt cannot run out on the bill or dump the burden on public-service workers and retirees instead,” the unions said in a joint statement.

The case is Jones v. Municipal Employees’ Annuity and Benefit Fund of Chicago

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