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U.S.

Illinois High Court Strikes Down Chicago Pension Changes

Justices cite protection in Illinois constitution, dealing blow to Mayor Rahm Emanuel's plan



Chicago Mayor Rahm Emanuel attended a panel in Washington on Jan. 20. An Illinois Supreme Court decision Thursday undercut Mr. Emanuel's strategy to stabilize his city's pension system. PHOTO: CHIP SOMODEVILLA/GETTY IMAGES

By **MARK PETERS**

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CHICAGO—The Illinois Supreme Court on Thursday rejected a plan to cut future retirement benefits and boost employee contributions for Chicago city workers, undercutting a pillar of Mayor Rahm Emanuel's strategy to stabilize one of the nation's most troubled pension systems.

The justices ruled the changes would violate the rights of city workers and retirees protected under the Illinois constitution. The Emanuel administration had argued the changes came as part of an agreement under which the city would increase its annual contributions to two of the city's four pension funds to ensure they remain solvent.

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pension protection clause does not guarantee any particular method of funding, but, rather, guarantees the right to be paid," according to a summary of the Supreme Court ruling posted online.

The ruling from the state's highest court is the latest blow to Mr. Emanuel's yearslong effort to stabilize a pension system that has only about a third of the assets needed to meet the benefits promised to city workers and retirees. His administration said it is reviewing the decision and declined further comment.

The mayor is also struggling to address a more than \$500 million increase in payments to the other two city pension funds, which cover police officers and firefighters. Mr. Emanuel won passage last year of a historic property-tax increase, but a plan to phase it in remains stalled at the state capitol.

Shortfalls in the city's pension funds have been building for years as Chicago contributed less than actuaries recommended into the system. The deep recession at the end of the last decade compounded those problems as investment returns suffered. Credit-rating firms have taken notice with Moody's Investors Service taking the rare step last year of downgrading Chicago bonds to junk. Others have warned of further pressure on the city's credit rating if the pension shortfalls aren't addressed.

Thursday's ruling was largely expected after a lower court sided with the city workers and retirees who sued over the changes. "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," said a coalition of public-sector unions that includes American Federation of State, County and Municipal Employees Council 31 in a statement.

The decision in Illinois is the latest in part of a patchwork of state-level decisions over whether governments can respond to rising pension costs by taking such steps as cutting benefits.

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