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OPINION | REVIEW & OUTLOOK

Chicago Pension Nightmare

A court nixes reform. Maybe the mayor should try bankruptcy.



Chicago Mayor Rahm Emanuel on January 20 in Washington, DC. PHOTO: GETTY IMAGES

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The hits keep coming for Chicago Mayor Rahm Emanuel. On Thursday the Illinois Supreme Court struck down the city's pension reform, which required city workers to chip in more to their retirement plans, raised the retirement age and cut back on cost-of-living adjustments. But there may be a silver lining for the fiscal basket case known as Illinois.

The Illinois court said Chicago's 2014 reforms violate a provision of the state constitution that bans diminishing existing pension benefits. This is legally debatable, but the court's ruling wasn't surprising since it had already knocked down state pension reforms signed by previous Governor Pat Quinn.

The ruling further limits Mr. Emanuel's fiscal options as pension payments take an ever-growing share of city revenues. On Thursday the gracious souls at the Chicago Teachers Union announced a one-day walkout on April 1. The CTU isn't allowed to strike until this summer, but CTU president Karen Lewis told her members not to worry: "What are they going to do, arrest us all? Put us all in jail? There's not 27,000 spaces in the Cook County Jail right now." Ah, she cares so deeply for the children.

The ruling may be better news for Illinois Governor Bruce Rauner, who has been trying to reform the state pensions amid a hostile Democratic legislature. The court said in its Chicago ruling that a reform would be constitutional if workers had a *choice* to go into a modified or lower-benefit structure.

Mr. Rauner has endorsed the outline of a plan created by state Senate President John Cullerton that would let workers choose between capping their pensionable salary and collecting more generous cost-of-living increases during retirement, or collecting slightly lower cost-of-living increases during retirement based on a higher pensionable salary.

Mr. Cullerton has since distanced himself from his own handiwork under union pressure, but something will have to give or Illinois and the City of Big Unfunded Pension Obligations will go broke.

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