

September 15, 2017

To the Honorable Members of
The Illinois House of Representatives,
100th General Assembly:

Today, I veto House Bill 688 from the 100th General Assembly, which creates a mechanism for members of police and firefighter pension funds to transfer service credits between funds.

Many of Illinois' downstate fire and police funds are dangerously underfunded, and some are approaching insolvency. A rising number of retirees, combined with low funding ratios, continues to put pressure on the financial health of local governments. In its current form, this bill will introduce further financial risks. This legislation allows service credits to migrate among the respective funds, which may introduce uncertainty with respect to cashflow management. This bill may also worsen existing unfunded liabilities without comprehensive and foolproof safeguards to assure an appropriate calculation of the true cost for transferring credits. In short, this bill introduces more financial uncertainty to the long-term financial health of these funds and is inappropriate to enact into law.

Illinois is in the midst of a pension crisis that impacts the state as a whole as well as individual local governments. Dramatically underfunded pensions risk the long-term solvency of local governments and put state finances under severe stress, and the underfunding of downstate police and fire pension funds warrants further investigation. In the meantime, the General Assembly should enact pension reforms that mitigate uncertainty and reduce unfunded liabilities. Unfortunately, House Bill 688 increases uncertainty and could contribute to larger unfunded liabilities in local pension funds.

Therefore, pursuant to Section 9(b) of Article IV of the Illinois Constitution of 1970, I hereby return House Bill 688, entitled "AN ACT concerning employee benefits", with the foregoing objections, vetoed in its entirety.

Sincerely,

Bruce Rauner
GOVERNOR