

To the Honorable Members of
The Illinois Senate,
99th General Assembly:

Today I veto Senate Bill 777. This bill continues the irresponsible practice of deferring funding decisions necessary to ensure pension fund solvency well into the future. The bill effectively makes Chicago taxpayers borrow from the pension funds at an additional cost of \$18.6 billion. It's a game politicians like to play with taxpayers' dollars by delaying payments today and forcing future elected officials to deal with pension funding issues tomorrow. As all know by now, that practice led to our current pension woes across state and local pension systems. Chicago police retirees are rightfully opposed to the bill. Instead of doubling-down on our past mistakes, we must learn from them. In vetoing this bill, I stand with all Chicago taxpayers who will be saddled with higher future pension contributions if the bill were to become law.

The cost to Chicago's taxpayers of kicking this can down the road is truly staggering. Actuaries estimate that between now and 2055, when the law would require these funds to achieve the 90% funded ratio, the total contributions to the Policemen's Annuity and Benefit Fund of Chicago would increase by approximately \$13 billion—an increase of 47.4% over contributions required under the current law. For the Firemen's Annuity and Benefit Fund of Chicago, the total contributions would increase by approximately \$5.6 billion, or 47.1% over the amounts under the current law. In other words, by deferring responsible funding decisions until 2021 and then extending the timeline for reaching responsible funding levels from 2040 to 2055, Chicago is borrowing against its taxpayers to the tune of \$18.6 billion. This practice has to stop. If we continue, we've learned nothing from our past mistakes.

Irresponsible funding decisions have left us with state pension funds that are collectively underfunded to the tune of \$111 billion. The poor fiscal health of these pension funds means we have to spend nearly 25 cents out of every dollar of the state budget on pensions, which significantly impairs our ability to provide vital services to those in need.

Irresponsible funding decisions have left teachers in Chicago with a drop in pension reserves from 100% funded as recently as 2001 to 51.8% funded today. On that trajectory, teachers can count on receiving only slightly more than 50 cents of every dollar owed to them in retirement – all because of a decade of pension holidays in which Chicago skipped the necessary contributions to the teachers' pension fund.

Irresponsible funding decisions have left two of Chicago's main employee pension funds near insolvency. The Municipal Employees' Annuity and Benefit Fund of Chicago and the Laborers' Annuity and Benefit Fund of Chicago, covering some 79,000 current and former Chicago workers, are projected to have zero balances as early as 2026 and 2029, respectively.

This is what happens when you fail to responsibly fund pension obligations.

And now, against this historic backdrop, Chicago wants to do it again, this time gambling with the pensions of its police officers and firefighters. SB 777 would permit Chicago to contribute to the two pension funds for its public safety workers far less than is actuarially required during fiscal years 2016 through 2020. Even worse, the bill would allow Chicago an additional 15 years to bring the funds to a responsible funding level of 90%, with the target year shifting from 2040 to 2055. Current and retired police officers and firefighters would have to wait until 2055 to know their pensions are secure. This is bad policy regardless of any fiscal impact, but doubly so when it comes with a price tag of \$18.6 billion.

Therefore, pursuant to Section 9(b) of Article IV of the Illinois Constitution of 1970, I hereby return Senate Bill 777, entitled "AN ACT concerning public employee benefits", with the foregoing objections, vetoed in its entirety.
Sincerely,

Bruce Rauner
GOVERNOR