Illinois prepares savage cuts in public employee retirement benefits

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16 July 2013

The Democrats in control of the Illinois state government are preparing to enact sweeping pension and health care cuts for public employees. The dismantling of retirement benefits for retired workers is a component part of a sweeping program of social counterrevolution intended to make the working class pay for the capitalist crisis. As such, the cuts are but a prelude to further attacks on pensions and pay for all workers, as well as on all the social programs on which millions of workers depend.

As in Greece, Spain and elsewhere, the specter of financial catastrophe is being used to push an agenda of austerity. Currently, the state faces a so-called "unfunded pension liability" of approximately $100 billion, and it is expected that in next year's state budget, roughly 20 percent of spending will go to making payments to the state's pension plans. The major credit rating agencies have played a similar role as elsewhere in this regard. Since the beginning of the year all three major firms have issued downgrades of the state's credit rating due to its failure to move with sufficient haste in attacking the living standards of the retired and elderly, and the state's credit rating is now the worst among all US states, raising the cost of borrowing.

In order to spur legislators into passing one of several competing plans, Democratic Governor Pat Quinn announced he would be using his line-item veto power to suspend their pay by eliminating it from the current budget. Quinn, who has previously declared that he was "put on earth" to solve the state's pension problem, has made the passing of pension cuts his biggest priority. On the face of it, Quinn's action is unconstitutional, as it represents a change in pay for lawmakers during the middle of their terms, not to mention a coercion of the legislative branch by the executive.

Although the whole corporate and political establishment is in agreement that workers' pensions must be savaged, there has been disagreement among the various factions as to exactly how much can be extracted from workers without provoking a social explosion. The Illinois House of Representatives passed a plan favored by Democratic Speaker Michael Madigan that would eliminate the current compounding three percent per year cost-of-living adjustment (COLA) and replace it with a COLA amounting to 3 percent of an amount based on years of service.

Madigan's plan also raises the retirement age for younger workers through a series of tiers, with the youngest workers required to attain age 65 before receiving full benefits, up from the current age of 60. Workers would also see the maximum pensionable salary capped at $109,000. It is also expected that worker contributions to pensions will rise. Madigan's office estimates that his plan would reduce pension costs by $187 billion over 30 years. The effect of all of these cuts will be to severely cut retired workers' living standards. The elimination of the COLA, which presently only barely keeps up with the official rate of inflation, will have a particularly big impact.

The pension cut plan of Democratic Senate President John Cullerton has been presented as the "opposition" to the Madigan plan. The main difference between them is that the Senate legislation would require workers to make a choice as to whether to keep the three percent compounded COLA and give up state subsidized health insurance, or keep state subsidized health insurance and accept either a reduction in the COLA or a phased in COLA with higher pension contributions.

Cullerton's plan carefully maintains the fiction of worker "choice" in the matter of pension benefits. The

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Senate President says this will conform to provisions of the Illinois constitution, which says that pension benefits “shall not be diminished or impaired.” Cullerton has claimed on a number of occasions that Madigan’s plan is unconstitutional and would not survive a court challenge.

Cullerton’s opposition stems not only from his constitutional concerns, however. There is a very real worry among sections of the ruling class that their attacks on workers will be met with social turmoil of the kind being seen around the world, as in Egypt, Brazil and Turkey. Part of their strategy is the ongoing erection of a police state, already at an advanced stage. Another is close collaboration with the trade unions and pseudo-left groups to keep workers from organizing independently on a socialist basis, breaking with the Democratic Party.

The Senate plan put forward by Cullerton has received the active backing of the trade unions, which have come together to support it via the We Are One Illinois coalition. Included in the We Are One Illinois Coalition are the Illinois AFL-CIO, the Illinois Education Association and National Education Association, Illinois Federation of Teachers, AFSCME Council 31, Laborers International Union, Illinois Nurses Association, Service Employees International Union and Teamsters Local 700, among others.

The chairman of the We Are One Illinois coalition, Illinois AFL-CIO president Michael T. Carrigan, said the following in a statement urging passage of Cullerton’s plan: “It asks every public employee and retiree to share in the sacrifice, such as by setting aside 2 percent more from every paycheck, delaying by two or three years the cost-of-living adjustment that ensures their retirement income will keep pace with inflation or opting out of the retiree health insurance program.”

Who exactly is sharing in the sacrifice besides Illinois workers? Certainly not Illinois’s 17 billionaires or other members of the financial elite. Carrigan’s claim is another demonstration of the fact, as the WSWS has explained, that the trade unions are no longer defensive workers organizations, but direct partners of the financial elite. Workers should reject the concept that there is no money for pensions or other social benefits, and begin building workplace and neighborhood action committees to defend their social rights.

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