In the wake of the Detroit bankruptcy filing

Chicago city worker pensions under attack

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In the wake of Detroit's bankruptcy filing, it has become increasingly clear that Detroit will serve as a model for other cities around the country as the financial elite carry out a coordinated campaign to shred worker pensions and contracts.

Following the lead of the banks and credit rating agencies, the media have paid particular attention to Chicago due to its massively underfunded pension systems.

Citing a 2013 Pew Charitable Trusts report on municipal pensions, a *New York Times* article this week wrote: "The financial woes of Detroit, which last month became the nation's largest city to file for bankruptcy protection, dwarf the financial issues here. But as Detroit makes its way through the federal court system, other cities, including Chicago, are wrestling with overwhelming pension liabilities that threaten to undermine their capacity to provide municipal services and secure their futures. "

"Among the nation's five largest cities, Chicago has put aside the smallest portion of its looming pension obligations... Its [pension] plans were funded at 36 percent by the end of 2012, city documents say. Federal regulators would step in if a corporate pension fund sank to that level, but they have no authority over public pensions."

The Pew report identified four cities whose pensions remained less than 80 percent funded through the downturn: Chicago, Charleston, W.V., Omaha, and New Orleans. That report rated Chicago's funding levels as the worst among the largest cities in the United States. Illinois' state pension funds are considered to be the worst among all states, with $100 billion in unfunded pensions. Retiree healthcare liabilities are reported to be 6 percent funded.

It is currently estimated that the four pension funds for workers directly employed by the city of Chicago are underfunded in the amount of $19.5 billion. In addition, the pension fund for Chicago teachers is underfunded by $7.5 billion, and that for Chicago Park District workers by nearly $500 million. All together, the six funds have an average of 50 percent of the funding they are estimated to need to pay out contractually agreed-upon benefits, ranging from a low of less than 30 percent for the firefighters' pension fund to a high of just under 65 percent, for city laborers.

The crisis in funding levels is the result of a decision by the city leaders to in essence take out undeclared loans against workers' pensions, in the form of a series of pension payment "holidays," as well as the use of inadequate payment schedules. These low pension payment levels on the part of state and municipal government allowed both Democratic and Republican parties to maintain artificially low tax rates throughout the previous decade. That this would result in a crisis of pension funding was entirely predictable.

Even before the Detroit bankruptcy announcement, Democrats in the Illinois state government and in Chicago itself have been pushing for the state legislature to enact massive cuts in pension and retirement benefits both for already-retired workers and for current workers. The banks are becoming increasingly impatient with the slow rate of cuts to worker pensions in Illinois—attested by Moody's unprecedented downgrade of Chicago's credit rating by three levels last month.

Mayor Rahm Emanuel, President Obama's former chief of staff, is leading the call for cuts: "What the system needs is a hard, cold dose of honesty. I understand the anger. I totally respect it. You have every right to be angry because there were contracts voted on. People agreed to something. But things get updated all the time."

While calling for workers to suffer massive reductions in their quality of life, Emanuel has resolutely refused to raise taxes or call for any encroachment on the wealth of Illinois' 17 billionaires.

While the political leadership of Illinois is in unanimous agreement that cuts must be made, disagreements have emerged between the Democratic Speaker of the Illinois House and the Democratic Senate President over how much pensions can be cut without provoking a social explosion that cannot be contained within the framework of the trade unions. In a bid to force some form of agreement between both chambers on the question, the state's Democratic governor, Pat Quinn, ordered paychecks for state legislators to be withheld until a decision is made.

The present push for deep cuts to benefits and elimination of traditional pension systems for newer workers comes from requirements in state law that demand sharply increased payments from the city and state to make up for the decades of inadequate payments. As a result, Chicago faces $483.4 million in pension payments this year, a number which jumps to $1.1 billion for 2016. Anticipating these payments, the city has estimated that the budget deficit for next year will be $338.7 million and $1.53 billion in 2016.

Already, Emanuel has announced that as of January 1, 2014, most retired workers will begin to be phased out of subsidized health insurance and be forced to either purchase their own health insurance or receive subsidies through Obama's Affordable Care Act. Emanuel has also called for state legislators to raise retirement ages and employee pension contributions, and advocated a freeze in cost-of-living adjustments.

Workers must be warned that the ruling class is determined to reduce workers to levels of poverty not seen in generations and, as in Detroit, are prepared to use anti-democratic means to achieve this.