

# Union-affiliated officials acknowledge Detroit “rescue” plan will involve large pension cuts

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Statements issued by union-affiliated officials involved in the bankruptcy process this week have confirmed that major cuts to city worker pensions and health benefits will be necessary, even if Michigan Governor Rick Snyder’s “rescue” package is approved.

Snyder’s plan, announced Wednesday, would send as much as \$350 million to Detroit over 20 years. These funds would be matched by about \$330 million in contributions from the Ford Foundation, the Kresge Foundation and seven other wealthy philanthropies.

Terri Renshaw, chair of the Official Committee of Retirees, which is affiliated with the unions, said in a statement that the rescue package could “limit the devastating impact faced by retirees and their dependents.”

Renshaw warned, however, “Retirees should be aware...that these proposed contributions, unless augmented, will not eliminate the significant pension benefit reductions sought from individual retirees by the city.”

In a comment that indicated the rationale behind the offer of rescue funds, Snyder said this week that disbursement of state money would be contingent upon “a settlement” involving “the city, the state, the unions, and the retirees.”

The real purpose of Snyder’s rescue package is to gain support for a “grand bargain” from the American Federation of State, County, and Municipal Employees (AFSCME), the United Auto Workers (UAW) and other forces linked to the trade union bureaucracies, convincing them to drop their legal challenges against the city.

Thus far, the unions have opposed the bankruptcy in court because their control over the multi-billion dollar pension funds is threatened by Orr’s adjustment plan. For the right price, however, AFSCME and the other

unions will gladly toe the line and sell these reductions as a victory. As part of the same agreement, the priceless collection housed in the Detroit Institute of Arts is to be handed over to the private foundations.

Kevyn Orr demanded this week that the DIA turn over an additional \$100 million as part of the bargain, to pay for the privilege of being taken over by foundations and transformed into a “private nonprofit.”

Plans to reduce pensions and benefits owed to retired city workers already have the approval of the courts. In a ruling earlier in the week, US Bankruptcy Judge Steven Rhodes raised the need for “fundamental and profound change” in health and pension benefits.

As the *Detroit News* noted on Friday, Rhodes has sent “unambiguous signals” during the hearings that “Detroit’s status quo on pensions, health care, and union contracts is not likely to survive unscathed by this brutal (and swift) process.”

In a prepared statement released Thursday, Judge Gerald Rosen, Rhodes’ handpicked mediator, wrote, “The mediators recognize that current proposed pension funding levels are not sufficient to provide full restoration of pension benefits for Detroit’s retirees.”

The attack on Detroit city worker pensions and health benefits is part of a nation-wide agenda being pursued by the US ruling class. A Thursday article on the *Wall Street Journal* editorial page, “Detroit’s Bankruptcy Retreat,” stated bluntly that the destruction of pensions was the purpose of the bankruptcy. The newspaper warned that a settlement that left the pensions intact would be a major setback.

The *Journal* wrote, “The big risk is that Judge Rosen’s plan will preclude the necessary pension reforms that Mr. Orr has proposed...The point of bankruptcy is to get legal protection to make the hard decisions that politicians have dodged. Preserving

defined-benefit pensions would defeat the purpose of bankruptcy and undercut Detroit's inchoate recovery.”

Even the manipulative efforts of Snyder, Rhodes and Rosen to craft a deal with the unions is seen as a risky move by sections of the ruling class. For the capitalists and their servants in the political establishment, “pension reform”—code for massive reduction and elimination of pension plans in every sector of the economy—is the main aim of the bankruptcy process in Detroit.

Every effort is being made to keep workers in the dark about the bankruptcy proceedings and the reactionary machinations taking place behind the scenes. The union-controlled Detroit Retired City Employee Association (DRCEA) has called two meetings during the past month, both of which attracted substantial crowds of retired city workers. Retirees are desperate to find real information about the fate of their pensions and health care. The DRCEA stone-walled the retirees, however, offering no new information and using the meetings as a platform for various health care providers to advertise their plans to the retirees.

For extensive documentation and analysis of the bankruptcy and its implications for pensions, retirees can look to the Workers Inquiry into the Bankruptcy of Detroit and the Attack on the DIA and Pensions, to be held by the Socialist Equality Party on February 15th at Wayne State University. For more information and to register, visit [detroitinquiry.org](http://detroitinquiry.org).



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