After Detroit bankruptcy ruling, Chicago mayor leads charge on pension cuts

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In his decision last December to approve the bankruptcy of Detroit, US Judge Steven Rhodes ruled that federal bankruptcy laws override state constitutional protections of public employee pensions. The ruling has opened the floodgates for an attack on pension rights of firefighters, transit, teachers and other public employees throughout the US.

Three weeks later, the *Financial Times* published an article entitled "US Public Finance: Day of Reckoning," which singled out Illinois and the city of Chicago for having worst-in-the-nation finances due to their "unfunded pension liabilities." According to the article, the combined amount of unfunded pensions for the city of Chicago and Chicago Public Schools is $27 billion. The pension fund for teachers is only 54 percent funded, while those for municipal workers, firefighters, and other city workers are 33 percent funded when taken together.

The article acknowledges that the unfunded state of public worker pensions is the result of politicians who "failed to pay for pension promises" by not maintaining adequate funding levels. This was accomplished through a series of pension payment "holidays" sought by the city from the state General Assembly, which exempted the city from paying required amounts.

Most importantly, the article highlights the role of Chicago Mayor Rahm Emanuel, the "hard-nosed former Obama administration official" in using the crisis to enact devastating cuts to pensions, education, and other social programs.

Emanuel has repeatedly put forward the big lie that the pension cuts are aimed at giving "workers a level of certainty they don't have," i.e., that the cuts are somehow aimed at making sure the pensions will be available for them to draw on in the future. He has also cynically tried to set public workers and other city residents against each other, claiming that without cuts to pensions, required contributions to the funds will result in either a 150 percent increase to property taxes or massive cuts to city services.

The *Financial Times* article makes the outrageous claim that the closing of 50 schools by Chicago Public Schools (CPS) was "collateral damage" from the pension funding crisis, while saying nothing about the billions in corporate tax cuts the city and state give away annually.

Emanuel is working closely with the Obama administration and national Democratic Party to enact state legislation to cut city pensions. The pension funds for city workers were established by state legislation, so Emanuel has been working behind the scenes for months with members of the General Assembly to get pension cut legislation targeting those pension funds.

A law affecting workers in state government, including those working at state universities, was passed in December by the Democratic Party-controlled General Assembly and signed by Democratic Governor Pat Quinn. Quinn made cutting state pensions his signature issue and boasted about the accomplishment in his state of the state address on January 29.

After the law was passed, Emanuel pressed the state to gut pensions in Chicago. He said, "The pension crisis is not truly solved until relief is brought to Chicago and all of the other local governments across our state that are standing on the brink of a fiscal cliff because of our pension liabilities."

The law is a brutal attack on workers, which, among a wide range of changes to Illinois statewide pension systems, raises the retirement age by five years for workers currently under 45, and by slightly lesser amounts for older workers. The most drastic change eliminates 3 percent annually compounded pension

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adjustments and instead introduces much lower “base amounts” to which smaller increases would be applied. A similar law passed in January cutting pensions at the Chicago Park District also raises contributions from 9 to 12 percent over five years and will serve as the model for other city pension cut legislation.

The state and city unions estimate that workers stand to lose one-third of their potential pension earnings from the changes, a massive loss of income that is estimated to amount to $145 billion over 30 years.

Far from opposing cuts to pensions, however, the unions desperately want to convince the corporate and political establishment that they can be trusted partners in imposing austerity measures. Karen Lewis, president of the Chicago Teachers Union, the organization that in 2012 sold out the largest teachers’ strike in decades, said although she wouldn’t sanction pension cuts for already-retired workers, she would be willing to negotiate cuts to current workers.

“We could have significant conversations about that,” she said, adding, “But there are ways to not have to do that.” She lamented that Emanuel “doesn’t want to be in negotiations,” preferring instead to impose a bill without consultations with the union. As in Detroit, the unions are more than willing to negotiate massive concessions, including pensions, as long as their multi-billion dollar pension investments are protected.

It is impossible to understand what is happening in Illinois and elsewhere in the US, including states like California, without seeing it in the context of what is happening in Detroit. The Illinois law was passed almost simultaneously with the ruling of Judge Rhodes sweeping aside the provisions of the Michigan Constitution and allowing banks, bond insurers, and other financial institutions to loot pension money.

The We Are One Illinois coalition—an organization made up of the state’s public employee unions—limited their opposition to the filing of a lawsuit in state court on January 28. Agreeing in principle with the idea that pensions must be cut in order to salvage public finances, the unions have worked to tamp down worker anger by raising expectations that the law will be overturned in court for being unconstitutional. This careful strategy is being pursued to disarm workers, preventing the formation of political opposition to the Democratic Party.

During the Detroit bankruptcy proceedings, AFSCME official Steven Kreisberg acknowledged that the union had negotiated pension concessions in Illinois. Asked if that prevented the union from filing a lawsuit saying pension cuts violated the state’s constitution, he answered “no.”

The unions play a crucial role in drumming up political and financial support for the Democratic Party, which in Illinois controls all of the significant branches of state government. Quinn has received over $5 million over the course of his political career from the SEIU alone.

Despite Quinn's leading role in the pension “reform” legislation, Rosen, the SEIU spokesman, refused to rule out support for Quinn in the upcoming gubernatorial election. Instead, he merely said, “Now that those two bills are signed, the possibilities of financially supporting him are dwindling.”

The Illinois AFL-CIO, on the other hand, announced it is endorsing Quinn in the upcoming primary election. Cynically dismissing the pension bill, AFL-CIO president Michael Carrigan said, “The pension legislation was a tremendous blow to the public sector, and [public employee unions] do have sympathy from private-sector unions. But after long and candid debate, the delegates decided it’s in the best interest of the Illinois labor movement to support Gov. Quinn in an upcoming Democrat primary.”

This deep chasm between the interests of the union bureaucracy and the working class points to the need for workers to break from both the unions and the Democratic Party to defend pensions and other social rights.

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