

California Democrats attack pension protections

David Brown
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Coming on the heels of the attack on city worker pensions in the Detroit bankruptcy case, a bipartisan group in California is campaigning for a state constitutional amendment to remove protections for public employee pensions.

The Coalition for Fair and Sustainable Pensions (CFSP), led by San Jose's Democratic mayor, Chuck Reed, is seeking to get "Public Employees Pension and Retiree Healthcare Benefits Initiative Constitutional Amendment" onto the state ballot in November.

Currently, the state constitution prevents the impairment of contracts and public employee pensions fall under its protection. This means the terms of a worker's retirement plan, which were agreed upon when he or she was first hired, cannot be changed afterwards.

With the proposed amendment, cities, counties, and other government entities could lower cost-of-living adjustments for retirees. In addition, they could increase the retirement age, reduce the rate of accrual or demand larger pension contributions from current employees.

In many cases, state and local public workers have accepted deep concessions pushed by the unions on the grounds that their retirement benefits were sacrosanct. Now, virtually every benefit not considered accrued would be on the chopping block.

The CFSP claims such cuts would make pension funds sustainable and make more money available for essential services. This is a fraud, which blames public employees with modest pensions for the savage budget cuts carried out by the corporate-backed politicians. Meanwhile, both parties have provided massive tax cuts and subsidies to big business and the wealthy.

Bill Kampe, mayor of Pacific Grove and supporter of the amendment, blamed pension costs for crowding out

"library hours, overdue street and infrastructure maintenance, and other important services."

Reed used the same pretext to push through a referendum in San Jose to cut employee pensions. The plan was challenged in court last year, however, and changes to pension plans for current hires were struck down.

The assault on pensions being advocated by the CFSP is part and parcel of a wider attack, as seen in the bankruptcies of Stockton and San Bernadino and Governor Jerry Brown's campaign for "pension reform."

According to Brown, a Democrat, the main public employee retirement system, CalPERS, needs to raise contribution rates in the coming fiscal year. He said, "The board has the legal authority and moral responsibility when the facts warrant. And the facts certainly warrant prompt action—now."

The situation in California clearly demonstrates that the Democratic Party is no more interested in protecting employee benefits than the Republicans. In this state where super-majorities of both houses of the state legislature, the governor, and countless mayors are all Democrats, the attack on public employees has been no less vicious than those being carried out by Republican-controlled state governments.

According to the former vice-mayor of Vallejo, Stephanie Gomes, "This isn't a Democrat or Republican, liberal or conservative, union or management issue—the pension problem in California crosses socio-political-economic boundaries."

In Detroit, the city is using bankruptcy proceedings imposed by a dictatorial emergency manager to cut pensions by a third and end cost-of-living increases for a decade. In a legally dubious and precedent-setting ruling last December, US judge Steven Rhodes said

federal bankruptcy law trumped Michigan's constitution, which also bars pension cuts.

In California, Reed is seeking similar results outside of the bankruptcy courts through a public referendum and is pushing this constitutional amendment to buttress those efforts.

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Other layers of the ruling class and political establishment are hoping to enforce austerity measures within the current legal framework through greater reliance on union leaders to enforce cuts on their membership.

These disputes are behind the conflict between Reed and California attorney general Kamala Harris over the summary of the amendment that would be presented to voters during signature drives to place it on the November ballot.

Reed objected to the summary, stating that the amendment "eliminates constitutional protections for vested pension and retiree healthcare benefits for current public employees, including teachers, nurses, and peace officers, for future work performed."

For their part, a coalition of unions, Californians for Retirement Security (CRS), criticized the summary for not sufficiently explaining the risks the amendment presents to public pensions. In fact, the main concern of the unions is that a constitutional amendment might allow city and state government to circumvent them and impose the pension cuts unilaterally.

In a statement, the CRS boasted, "Public employees have been agreeing to pension changes at the bargaining table for several straight years. The reforms approved by the Legislature and signed by Gov. Jerry Brown amount to a reduction of somewhere between \$60 billion and \$100 billion in the benefits promised to public employees. Take for example, a public employee making an average salary of \$40,000 and working a 30-year career. Prior to the reform this worker would retire with a pension of \$24,000. Now that worker will receive \$15,600, a reduction of \$8,400, which is not a lot to live on in California. Whether it has been at the bargaining table in more than 300 jurisdictions or at the state level, public employees have been part of the solution to ensure public pension systems are financially sound."

As this makes clear, the union executives want to

retain their "seat at the table" and are more than willing to negotiate deep pension cuts in order to preserve their institutional and financial interests, including control over multibillion-dollar retiree trust funds like CalPERS.



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