

Detroit unions seek protection from retiree lawsuits

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A union-affiliated retiree committee in Detroit has asked a federal bankruptcy court to approve a legal insurance policy worth \$600,000 to protect against future lawsuits filed by retirees. The unions are seeking protection because they will be participating actively in imposing cuts in health care benefits on the workers they claim to represent.

The “retiree committee” is essentially a union-controlled body staffed by union personnel and attorneys. It includes two open union representatives, Wendy Fields-Jacobs (of the United Auto Workers) and Edward McNeil (of the American Federation of State County and Municipal Employees), along with seven other members.

Detroit’s retirees are facing an historic assault on their health benefits. Given the circumstances, retirees have every reason to sue any and all parties signing on to Emergency Manager Kevyn Orr’s plan of adjustment and the bankruptcy process, including the unions.

Under plans laid out in a disclosure statement, retirees under the age of 65 will have their plans canceled and be forced to purchase their own health coverage using a meager monthly “stipend” of \$125 to \$175 per month. Retirees 65 and over will be transferred to Medicare.

City subsidies for dental and vision coverage were terminated effective March 1, 2014.

Faced with simultaneous cuts to pensions, thousands of retirees will be forced to choose between paying for health services and other basic necessities. Countless Detroiters who worked for the city their entire lives will be plunged into destitution.

According to the *Detroit Free Press*, a lawyer for the retiree committee, Sam Alberts, told US bankruptcy judge Steven Rhodes, “The committee members worry

they’ll be sued in a town known for being litigious because the cuts to pensions and retiree health care benefits affect so many people.”

Albert argued that the committee had no option but to seek such an insurance policy, because they have already encountered “huge amounts of blowback” from retirees.

Taken together, the various measures proposed by Orr to restructure retiree health benefits amount to a massive transfer of value from the workers of Detroit to the financial elite, with a smaller share set aside as reward for the union executives. The committee’s request for the insurance is one expression of a complex legal shell game taking place as the union executives seek to insulate themselves from the fallout of the illegal bankruptcy operation.

The unions have collaborated with the emergency manager and the bankruptcy from the beginning. Before the bankruptcy filing, AFSCME sought to forge a concessions deal, hoping that Orr and the city would work with them in imposing cuts rather than using the courts. During the hearings, attorneys for AFSCME and other unions pleaded that the city should have liquidated its most valuable assets, including the Detroit Institute of Arts, rather than enter bankruptcy.

After the bankruptcy was approved by Rhodes, the unions worked with Orr to fashion a so-called Voluntary Employee Benefits Association (VEBA). The unions will have control over a half-billion dollar fund used to finance health care payouts and will be tasked with imposing cuts.

While it represents only a small number of city workers, the United Auto Workers has played a central role in setting up the VEBA, which was modeled off of similar arrangements in the auto industry set up in 2007. That agreement relieved GM of any obligation to

provide health care for its 400,000 retirees, while giving the UAW control over one of the largest private investment funds on earth.

As investment banker and Obama administration insider Steven Rattner told the *Wall Street Journal* in 2011, “At that time, everybody understood the VEBA would probably not cover all of retirees’ health care benefits and that the UAW or trustees of the VEBA would have to make decisions about cutbacks. It was going to be their problem, not the companies’ problem.”

Two years earlier, in 2005, the UAW launched a bogus lawsuit to preempt legal challenges by hundreds of thousands of pensioners against an earlier round of retiree health care cuts. The UAW-backed lawsuit was filed in the name of two retired Michigan auto workers, thereby allowing the union to claim that workers had already had their day in court, and that any future challenges to union-negotiated concessions were void.

At the time, the unions were concerned about the legality of retiree health care cuts, because federal law did not recognize the UAW as the representative of the retirees. The purpose of the phony lawsuit was to “bind” the retirees into a non-representative group, with the union arguing that even though retirees had not voted on a contract cutting their benefits, they still had no recourse to challenge cuts agreed to by the UAW. (See, “US auto union goes to court against its own members”)

Similar processes are now underway, directed this time against city workers. The retiree committee’s request for insurance underscores the antagonistic relationship between the unions and the workers, showing yet again why retirees and workers can no longer look to the unions for leadership. They function entirely as business entities and creditors seeking to maximize their power and privileges within the framework of capitalism.

Judge Rhodes will render a judgment on the committee’s insurance policy request next Tuesday.



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