

“The city wants to never have to fund pensions again”

An interview with Detroit retiree attorney

Thomas Gaist
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The World Socialist Web Site spoke with Carole Neville, an attorney from the New York office of Denton’s law firm representing the Detroit Retiree Committee. The committee is a special body that was appointed by Trustees at the US Department of Justice to represent retirees during the bankruptcy. Neville spoke about various aspects of the cuts to retiree health benefits and pensions laid out in the plan of adjustment.

World Socialist Web Site: In a recent radio interview, you said that the city is seeking to relieve itself of any obligation to the pensions for the next 20 years. Can you comment further on this?

Carole Neville: The financial creditors are claiming that we are getting too high a recovery, but when you look at it, the city is not giving us anything. The city is actually defunding the plans.

They are planning not to put in another penny for 20 years. In the disclosure statement, it states clearly they’re not paying anything till 2033. After that, the city will raise the interest rates, but leave everything else the same, no cost of living adjustments (COLA), no dental or vision, and no substantial health coverage.

The city is not willing to put aside any money for the funding of pensions. They are dumping pension obligations that are worth at least \$2.5 billion.

The city’s legal team has configured that plan of adjustment so that the city basically will never have to contribute to the funds. The cuts are way higher than they need to be. The city wants to never have to fund the pensions again.

WSWS: Can you comment about the “grand bargain,” which has been promoted by Governor Rick Snyder as a means to offset the damage from pension cuts?

CN: Before anything else, it has to be noted that the proposed grand bargain is contingent. It may not even happen.

Furthermore, if any parties withdraw funds after the plan is confirmed, retiree benefits will be reduced. Retirees could potentially take the bargain and still not get any of the promised relief for their pensions. That’s the bottom line on the issue. It really doesn’t safeguard pensions from anything.

WSWS: What effect do you anticipate the end to COLA [Cost-of-Living Adjustment] will have on retirees?

CN: It will have a dramatic impact, particularly on the younger retirees. Termination of COLA will result in an average additional cut to general pensions of at least 19 percent. In total, these pensioners are set to lose more than 50 percent of what’s owed to them, at the time when they need it the most.”

WSWS: How will the plan of adjustment impact health care services received by the retirees?

CN: Under the plan of adjustment, the city is relieving itself of \$4-5 billion in health obligations.

The money for Other Post Employment Benefits [OPEB] has already been subject to severe cuts. The city used to spend \$160 million per year, now they are spending only \$30 million and looking to push it down

further.

Now, the city is effectively relieving itself of billions owed to workers over the next two decades by completely dumping its OPEB obligations. Health and dental don’t have the constitutional protection, they are just pure contracts which makes them low-hanging fruit.

WSWS: Can you speak to the national implications of Rhodes’ ruling of December 3, 2013?

CN: If you look at the other municipal bankruptcy cases, pensions have been left unimpaired. Even in other states, where they don’t have that constitutional protection, bankruptcy courts have stopped short of slicing pensions. “That’s why this bankruptcy ruling is so terrible. It gives other jurisdictions a roadmap for how to get rid of pension liability quickly and cruelly. It shows municipalities how to go through bankruptcy and ditch the pensions.

We’re appealing the ruling to the 6th circuit. We disagree with the ruling. Rhodes based his ruling on the phrase ‘contractual obligation.’ He really hung his whole hat on that one word, ‘contract’, saying that that contracts could be impaired by the bankruptcy court.

But the Michigan constitution says you have to fund the pensions, you cannot impair them, it’s a mandatory obligation, and he ignored that. He completely ignored that part of the constitution.

He is convinced, as bankruptcy judges often are, that bankruptcy has a greater authority and power than almost anything else. Well, excuse me judge, a bankruptcy judge doesn’t have absolute power.

WSWS: What about the “claw back” provisions? How will that work, and what are the implications?

CN: This claw back thing makes me crazy with rage. They are taking back the peoples’ pension money to pay for—wait for it—part of their obligations to the pensions. We’re talking about potentially \$300 million in “restitution” extracted from retirees’ checks. Have you ever heard of anything so absurd?

WSWS: What effect do you anticipate these cuts will have on retirees’ budgets and their day-to-day lives?

CN: What the city is doing to its retirees is unfair in every way you could think of.

If you see the objections that the retirees have filed, you’ll see that hitting them on both ends, the pensions and health care, is going force many into outright poverty.

Using the federal poverty line of \$11,000 per person, we figured that 20 percent of the retirees were already earning at or below the poverty level. The cuts will push another 5 to 10 percent below, we calculated. This is not including the OPEB cuts.

Retirees had very good health coverage for a very long time. The program they’re being offered now is not even close to satisfactory.

A lot of people are living on the edge right now, moving in with their children, leaving their houses that they’ve had for decades. It’s sad, it’s really sad, and it’s unnecessary.

Included below is a final selection of quotes from letters submitted by Detroit retirees to US Bankruptcy Judge Steven Rhodes. The WSWs has published more selections from these letters here and here.

Geraldine Chatman: Your honor, I worked for the City of Detroit for 39 years, with the understanding that my pension was protected by the State Constitution. How in the name of God can anyone be so ruthless and uncaring about other people and their future?

It seems to me that we are moving toward only two classes of people; the very rich and the very poor.

It is so hard for me to imagine how the rich can think of so many ways to hurt others in such as cruel way. "The thought of this threat to attack my pension is beyond belief and totally unfair.

I rely on my pension to pay bills that are already out of control. My energy bill alone comes to \$700 or \$800 monthly. I have two grandchildren in my home and all of us have to eat. If my pension is touched this may become impossible to do (eating is a vital part of living).

Ronald Danowski: Any reasonable person knows that with the cost of food, gas, health and prescription drugs continually increasing, it is just a matter of time before the majority of retirees, particularly the elderly, will not be able to maintain their homes, pay their bills and purchase needed medication.

At the time of retirement, retirees were assured that if they selected a lower monthly pension payment for themselves, their widows would be entitled to a specific amount each month. If I die first, my wife will not be able to survive if she has to rely on a meager check that will be significantly less than what the city agreed to when I retired 20 years ago.

Does anyone have any idea as to the amount of stress and illness that Mr. Orr's plan of adjustment has caused many of the retirees? Often I cannot sleep and have developed a stomach problem as a result of worrying about my wife's future and mine.

Cecily McClellan: I was forced into retirement in 2012 from my job at the Department of Human Services, a 100 percent federally-funded program. Mr. Bing gave away this department and all its jobs to an organization in Wyandotte, MI.

If my income is cut by 30 percent I will lose my house. I will no longer be able to pay utilities and taxes. I cannot afford to pay for health care, increased deductible and prescriptions. I am the sole income in my house. I support two other relatives who can't find a job.

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Roy Harris: I am offended to have been told that the cut would be 25 rather than 34 if we accept it. In other words, we'll be rewarded if we just take it on the chin and go away without making any trouble. This is unfair and downright immoral.

Isabell Sykes: I am an 82-year-old widow, retired from the City of Detroit. My service dates were between March, 1958 and July, 1988. At the time of my retirement, I felt secure that the benefits in the agreement would be permanent.

Because of increasing property taxes, property and car insurance, and utility bills, I moved from my home 3 years ago to reduce living expenses. Implementation of the proposed pension cuts would cause yet another financial crisis for me. I would not have adequate funds to cover shelter, utility, food, and transportation expenses. Nor would I be able to maintain insurance coverage for my health, home, or car.

Beverly A Holman: The authors of this plan have not considered the impact it will have on my life nor do they care. I have to live like everyone else and the quality of that living is directly proportional to my pension benefits remaining at today's levels. If anything, I deserve a raise in pay. Contrary to common belief, I am neither fat, lazy nor rich.

A significant reduction in my pension has already occurred. I have lost my vision coverage; I have to pay an additional cost for dental coverage and I have lost my medical supplemental benefits. Retirees are

consistently ravaged with benefit cuts to bail out the city at a time when these benefits are most needed and have been earned with years of dedicated service to the City of Detroit.

The recommended 34 percent cut of my pension will create a financial crisis in my existence. The possibility of being evicted from my home, unable to purchase necessary medications or having to make the critical choice between medicine and food is a very real possibility. The adoption of this plan will be a major disservice to humanity in general.

Catherine Jones: Like many retirees I live on a fixed income. I am able to make minor adjustments for fluctuations in bills like my unusually high gas bill or minor increases in insurance costs or increases in the cost of medications.

However, the suggested decrease in my pension of 20-34 percent would totally devastate me and seriously impact my ability to maintain my essential living situation.

Cutting the pensions of retirees will cause a cascade effect and thus another crisis for the city, as many of us will lose our homes and lose our independence as we would have to rely on family members for support if we're lucky.

Reggy A. Heade: This great city should not be used as a test case for politicians whose agendas do not include the welfare of present or past employees. We cannot afford to live on half of the pension we were entitled to, with insurance costs tripled yet offering less service.

We are the people who have taken concessions for the last 20 years trying to help the city survive and as we move into our twilight years we should be able, at the very least, to eat. We cannot do that if the bankruptcy as presented is finalized. Please consider our plight.

Jacqueline M. Anderson-Hutchings: I had perfect attendance when I worked. I worked hundreds of double shifts in order to build up my pension amount for my old age. Please do not throw me into poverty.

Now I'm 70 years old and no one will hire me. Please do not let them lower my monthly pension income.

Robert Cox: I'm a retired Detroit Water and Sewerage Department worker. At the present, I struggle to pay my monthly and medical bills. I cannot afford to repair my car or get auto insurance for it.

With everything going up, food, utilities, gasoline, etc., the thought of cutting my pension by 34 percent would mean serious hardship for many families.

Angella Newell: I am writing to express my true deep feeling on how a 34 percent cut to my pension income will effect my living. I will not be able to survive off a \$808 cut. I would truly have to go get another FULL TIME JOB to survive.

We worked very hard and too many years to deserve a slap in the face like this.

Alicia K. Zagar: For 36 years my dear husband, retired Battalion Chief Mark D. Zagar, performed heroic, selfless acts to save the people and property of the City of Detroit. He was subject to warlike conditions. He was up all night in smoke and blaze during the worst years of 'Devils Night' known not just to Detroit, but to our nation. He repeatedly performed physical work in heavy equipment, soaking wet, at 4 a.m. in sub-zero temperatures, for hours.

He received relatively low real-time compensation for the work rendered, for promised future compensation—including cost of living adjustments.

He has now been promised, for what it's worth, a meager \$125 monthly stipend to attain health care for his battered body.

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