

Democrats' plan to gut pensions approved by Illinois legislature

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On April 8 both houses of the Illinois legislature passed a law backed by Chicago Mayor Rahm Emanuel that will impose severe cuts to two pension systems covering city laborers and municipal workers. The legislation is similar in many respects to laws passed recently by the state to cut pensions for state workers and for workers at the Chicago Park District. As in Detroit and elsewhere across the United States, the drive to eliminate pensions and health care for retired workers is part of a highly coordinated campaign of social counterrevolution being carried out on behalf of the financial aristocracy.

The central provision of the new law targeting the 57,000 affected workers is similar to that of the previous pension cut legislation—the elimination of the compounded 3 percent annual annuity increase, often referred to as a “cost-of-living” adjustment. Instead workers will receive only the lesser of either 3 percent or half the inflation rate, unless their pension is \$22,000 per year or less, in which case they will receive at minimum a 1 percent increase.

Crucially, the new increase is not compounded, meaning that the base amount used to calculate the increase will never rise. This change will cost retired workers tremendously in future earnings and will ensure that the purchasing power of their pensions decline, particularly if the inflation rises above 3 percent, the maximum adjustment amount.

In addition to this change in the annual increase, pensioners making over \$22,000 per year will not receive even these paltry increases in 2017, 2019, or 2025. Current workers will also see their pension contributions raised sharply over the next few years, from 8.5 percent of their pay per year to 11 percent by 2019. Though this would go back down to 9.75 percent when the pension funds have “stabilized,” which is not

expected to happen for decades. Not only are workers' pensions being cut, their current pay is being cut to pay for a crisis completely engineered by the ruling class. For workers at the lower end of the pay scale, this will mean real hardship and the loss of basic necessities.

Besides the changes made to worker contributions and pension benefits, the new legislation also requires the Chicago City Council to raise \$250 million to help fund the two pension systems, and gives the pension funds the power to sue the city if it fails to make the required payments, or even garnish grants received by the state to make up shortfalls. Mayor Emanuel's initial proposal for the legislation would have written in a requirement that the increase in funding come from an increase in city property taxes.

However, for a brief period during the week, the legislation was held up over the property tax provision when it was opposed by Democratic Governor Pat Quinn, who struck a faux-populist stance, calling the property tax a “lousy tax” because it is not based on ability to pay. Quinn is in a tight race for governor against Republican candidate and billionaire Bruce Rauner, and has made property tax relief a central part of his campaign, even as he argues for making permanent a previously temporary 67 percent increase in the income tax he put forward in 2011.

Neither the property tax nor the income tax are based on “ability to pay,” both being flat taxes which have a much heavier impact on workers, whose incomes are spent almost entirely on necessities. In the end, the compromise involved removing the property tax language from the bill itself and instead imposing the requirement that the city raise \$250 million. In other words, the city council will be responsible for initiating the property tax, and thus incur the political liability.

Quinn, for his part, is in no hurry to sign the bill,

though there is no question that he eventually will. The principal focus of his governorship has been slashing state worker pensions, and he once claimed he was “put on earth” to deal with that issue. But with the election looming in November, he would prefer to wait until after it is over to actually sign the bill. For their part, the unions would prefer that he sign the bill as quickly as possible in order for them to begin their work to bury the issue and campaign for his election. Matt Brandon, the secretary-treasurer of Service Employees International Union Local 73 said: “I’m telling (Quinn) that it’s time for him to step forward to take the step that the mayor too, the 28 unions took and we all took to move this city forward.”

The 28 unions Brandon is referring to comprise the We Are One Illinois Coalition, a grouping of public employee unions, including the Illinois Federation of Teachers, Illinois Education Association, SEIU, AFSCME, and others. The coalition backed a plan to cut worker pensions that was portrayed as more “moderate” than the one which eventually passed. The entire point of the exercise was to sow confusion and support for cuts among public workers.

Some union leaders, such as the Chicago Teachers Union’s Karen Lewis, who calls the mayor’s plan “theft—plain and simple,” say they are opposed to the law. But they are not in principle opposed to pension cuts, as evidenced by their participation in the We Are One Illinois Coalition, by their merely token legal opposition to the pension cuts, and by their continued support for the Democratic Party.

As in other places, most notably Detroit, the gutting of pensions is portrayed as the best way to deal with a bad situation, as the alternative to scrapping them entirely. At a city council meeting, Emanuel claimed that the cuts were “essential” so that workers “have a pension they can rely on and retire on,” saying that the alternative would be massive 150 percent property tax hikes combined with large cuts in services.

This is a complete lie. There is more than enough money to cover workers’ pensions. The wealth of the Chicago area’s 18 billionaires alone could solve all the pension problems of the state and city. That this wealth is considered sacrosanct while workers’ comparatively paltry retirement benefits are seen as fair game for cuts is an indication of the true nature of capitalist politics.



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