Employee pensions under attack in the US

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The American financial elite has launched a sweeping nationwide assault on the pension benefits of US workers in both the public and private sectors.

Following the example of the city of Detroit, municipalities and states throughout the country, including Illinois, California, and Pennsylvania, have sought to slash government workers' legally protected pension benefits on the grounds that there is no money to pay for the "generous" retirement benefits that are owed to workers for decades of labor.

Now, private-sector pensions, already decimated in the wave of corporate bankruptcies and buyouts that took place in the 1980s, are coming under renewed attack. In particular, multi-employer pension funds, once considered more secure than those operated by single employers, are being targeted for cutbacks.

The *New York Times* reported Saturday, "Labor officials, business groups, members of Congress and others have been quietly discussing a proposal to extend multiemployer plans' life spans by letting them roll back even retirees' pensions."

Private employee pension funds have been over the course of decades starved of contributions by the corporations that are legally obliged to finance them. This is true not only of standard single-employer pension funds, but also larger, union-affiliated multi-employer funds, which provide retirement benefits for some 10 million Americans.

The *Times* noted that one major pension plan, the Teamsters' Central States plan, pays out $2.8 billion per year in retirement funds, but only takes in about $700 million from corporations. The plan's director said he expects the plan to run out of money in 10 to 15 years.

The multi-employer arm of the Pension Benefit Guaranty Corporation, the government agency that insures private pensions, is expected to run out of funds within seven years, according to a report issued in February by the Congressional Budget Office.

Last year, the Pension Benefit Guaranty Corporation posted a record deficit of $35.7 billion. "Within the next 10 years, more and more plans are going to run out of money," said Joshua Gotbaum, director of the Pension Benefit Guaranty Corp, in a November report.

The Employee Retirement Income Security Act, enacted in 1974, forbids companies from cutting their employees' pension obligations for work they have already performed. But a subsequent 2006 law, signed by George W. Bush, allowed under-funded multi-employer pensions to stop paying some benefits, such as disability, death benefits, and early retirement.

The PBGC was conceived as self-financing, with insurance payouts to be covered by premiums paid by corporations. But these premiums have been steadily dwindling, as successive administrations from both parties have introduced loopholes to allow companies to reduce their contributions.

The *Times* noted that the PBGC multi-employer fund "now has premiums of about $110 million a year to work with. All it would take is the failure of one big plan to wipe out the whole program."

Defined benefit pensions now cover only 18 percent of private-sector workers, down from 35 percent in the 1990s, according to data from the Bureau of Labor Statistics. These pension plans have largely been replaced by completely inadequate defined-contribution 401(k) plans. The bureau of labor statistics found that the median households aged 55–64 with a retirement savings account had just $100,000 to retire, or about twice the yearly household income for older households.

The calls to slash private pensions are coupled with renewed attacks on public sector retirement benefits. Last week, the hedge fund Bridgewater Associates reported that public pensions in the United States have only $3 trillion in assets to cover some $10 trillion in scheduled payments over the coming decades. According to the report, 85 percent of public pensions will run out of funds within three decades.

These funds are insolvent because they have been looted by state and local officials to cover the billions of dollars in local tax cuts and incentives that have been handed out to big business over the course of the past several decades. Now, the Democratic and Republican politicians who have starved the pension funds are calling for workers' pensions to be slashed to keep the funds solvent.

• In Detroit, Emergency Manager Kevyn Orr has proposed to slash city workers' pensions by 26 percent—or 34 percent if workers do not vote in favor of the deal. These pension cuts, coupled with equally draconian cuts to their dental, vision, and health insurance coverage, will effectively reduce their incomes by more than 50 percent. 10 percent of Detroit city retirees already live below the poverty line, and pension officials have said that the cuts will force at least another 20 percent into poverty.

• On April 8, the Illinois legislature voted in favor of a law proposed by Chicago Mayor Rahm Emanuel that will slash pensions for 57,000 city laborers and municipal employees. The law eliminates the workers' cost-of-living increases, meaning that, as years go by, their pensions will be whittled down enormously.

• A group of California Democrats, led by San Jose Mayor Chuck Reed, is campaigning for the implementation of a constitutional amendment to remove the state's protections on public employee pensions. 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 or demand larger pension contributions from current employees.

• Last month, Pennsylvania Governor Tom Corbett, a Republican, announced plans to cut pensions for hundreds of thousands of state employees and teachers covered by the state's pension system. The proposal would switch new workers to a 401(k)-style retirement plan, while even further underfunding existing pension plans. "The only question is whether we will do it now, when it's still a manageable problem, or let others do it later," said Corbett.

Even as retirement benefits are being slashed, on the grounds that there is supposedly no money to pay for them, the super-rich are doing better than ever. Last week, Equilar, the executive compensation research firm, reported that the 100 top-earning corporate CEOs saw their median pay increase by 9 percent in 2013, to $13.9 million.