

# Detroit bankruptcy spearheads nationwide attack on pensions

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The bankruptcy of Detroit, Michigan is being used not only to carry out a historic attack on the working class in the city itself, but also to set a precedent for a nationwide campaign against pension benefits in both the public and private sectors.

A “grand bargain” proposed by Detroit’s Emergency Manager Kevyn Orr, and already agreed to by two union-affiliated retiree organizations, will cut pensions for most retirees by 4.5 percent, combined with an end to all cost-of-living adjustments. The consequences will be disastrous for pensioners who are already on the cusp of poverty.

Yesterday, the *Detroit News* announced that Orr is calling for an additional \$239 million in “clawbacks,” essentially stealing funds that have already been paid out on the grounds that workers were overpaid. The cruel and punitive action will affect 4,800 retirees. Over a thousand will receive an additional cut of between 10-40 percent of their pensions, and more than a hundred will lose most or all of their benefits.

These measures are only one part of an overall restructuring plan that includes the elimination of retiree health care, to be replaced with a pitiful \$125 monthly healthcare stipend for those too young to qualify for Medicare.

What has been announced so far is only the beginning. Once the precedent of using the bankruptcy court to slash pensions is established, the door will be opened for the total destruction of the city’s pensions.

The Detroit pension cuts are illegal, violating explicit protections in the state’s constitution. The city’s use of the bankruptcy courts to override these legal protections is being watched carefully throughout the country, and indeed internationally. It has the active support of the Obama administration and both big business parties.

There are \$21.7 trillion in retirement assets in the United States, including \$5.37 trillion in government retirement plans, and \$2.9 trillion in private defined-benefit plans. From the standpoint of the ruling class, all of these funds should be in its possession.

The protections that workers have been able to win to keep them out of poverty after retirement have been under attack for decades. The wave of corporate bankruptcies and restructuring that got into full swing in the 1980s transferred trillions of dollars in private pension funds owed to workers by US corporations to the coffers of banks and private equity firms.

Defined-benefit pensions (which guarantee workers a specific annual payment) now cover only 18 percent of private-sector workers, down from 35 percent in the 1990s. These pension plans have largely been replaced by completely inadequate defined-contribution 401(k) plans, with worker retirement savings funneled into the stock market.

Public-sector pensions, many of which are protected by state constitutions and other statutes, have so far remained relatively intact, with 78 percent of public sector workers remaining covered. The banks and their political representatives are seeking to use the Detroit bankruptcy to change all this.

As a report issued earlier this year from the State Budget Crisis Task Force, headed by longtime Obama allies Richard Ravitch and Paul Volcker, argued, “Pensions have enjoyed significant protection under constitutions and statutory frameworks in many states.” The report added that “[t]his protection is being challenged as state and federal courts consider the relationship of pension payments to other obligations such as bond payments.”

The report explained that in the Detroit bankruptcy “the court determined that federal bankruptcy laws can

be used to preempt the Michigan Constitution.”

Municipalities and states throughout the country, including Illinois, California, New Jersey and Pennsylvania, have already slashed, or are preparing to cut, government workers’ legally protected pension benefits.

Earlier this month, the Illinois legislature voted to allow the city of Chicago, under Democratic Party Mayor Rahm Emanuel, to slash pensions for 57,000 city laborers and municipal employees by eliminating cost-of-living adjustments, and dozens of cities in Illinois are seeking to follow suit. New Jersey’s Republican governor, Chris Christie, announced this month that he plans to slash retiree pensions in his latest budget proposal.

Behind-the-scenes negotiations are also underway to slash private-sector pensions. Multi-employer pension funds, in particular, are being targeted for cutbacks. The *New York Times* reported earlier this month that “[l]abor 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.”

Last year, the Pension Benefit Guaranty Corporation, which guarantees these pension funds and has been starved of funding by successive administrations, 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 attack on workers’ pensions is taking place worldwide. In Greece, Portugal, and Spain, the pensions of government employees have been slashed as part of the austerity measures dictated by the European Union and International Monetary Fund. On Thursday, the Canadian federal government unveiled a proposal to create a new type of defined-contribution pension plan, called a Target Benefit Plan, to facilitate the elimination of traditional defined-benefit pensions in businesses such as railways, airlines, and banks.

The ruling class is pursuing a quite deliberate policy. The aim is to create conditions in which retired workers, no longer able to produce profits for corporations, live out the rest of their lives in penury and face an early death. This is part of a broader offensive against all the social rights of the working class, aimed at rolling back conditions of life to the

Dickensian misery of the 19th century.

In the United States, these measures are being carried out with the support of Democrats and Republicans, at the local and national level. The trade unions, as in Detroit, are active participants in this political conspiracy. Far from organizing a struggle, the unions are doing whatever they can to enforce the dictates of the ruling class, seeking only a share of the spoils for the privileged executives that control them.

Employee pensions, like every other social gain by working people, were not a beneficent gift handed to workers by the ruling elite but a product of mass struggles by the working class. To defend pensions, and ensure the right of everyone to a quality retirement and a guaranteed income, these struggles must be revived on the basis of an independent socialist political movement of the working class—directed against the capitalist profit system.



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