

Illinois Democrats gut Chicago city worker pensions

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On Monday, June 9, the Democratic governor of Illinois, Pat Quinn, signed into law a bill cutting retirement benefits for an estimated 57,000 Chicago municipal workers and laborers in the greater Chicago area.

The law, championed by Chicago Mayor Rahm Emanuel, Obama's former chief of staff, imposes severe cuts on workers participating in two city worker pension funds. This is part of the nation-wide drive by the financial elite and its representatives in both big business parties to rob the pensions of public sector workers and channel even more money into the hands of the super-rich.

As in Detroit, California and other locales in the US and around the world, the political establishment claims the slashing of pension benefits is the only way to deal with bad fiscal situations and the only alternative to junking pensions altogether. The last six years of austerity policies have been premised on the lie that "there is no money." In 2014, the dramatic polarization of wealth in the US coincided with a historic peak in total national net worth of \$81.8 trillion—up \$1.5 trillion in the first half of 2014 alone. The gains since 2008 are primarily concentrated in the financial and real estate markets.

The Illinois measure is expected to eliminate \$10 billion in pension funding that Chicago would have otherwise had to raise. The law is similar to other measures passed by the Illinois state government over the past year targeting workers in state government, public universities and community colleges and the Chicago Park District, as well as teachers downstate. Public employees do not pay into federal Social Security or Medicare, and it is common for workers to rely on pensions for most or all of their retirement income.

The change affects benefit levels primarily by eliminating a compounding 3 percent annual cost of living increase, replacing it with a non-compounding yearly

increase of 3 percent or half the level of inflation, whichever is lower. This reduced adjustment will not even be provided every year, with workers denied increases in 2017, 2019 and 2025. According to estimates the average worker will lose 20 percent of retirement pay under the new formula.

In addition to the cut in benefits, the retirement age will also be pushed up, with workers under 45 forced to wait an extra five years to retire with full benefits, while those over 45 will have to wait somewhat less. Workers will also be forced to put up a higher percentage of their own pay to fund the pensions. Currently, the affected workers pay 8.5 percent of their income into the pension funds, but will have that amount increased by 0.5 percent per year for five years, eventually reaching 11 percent.

Mayor Emanuel emphasized the implications of the bill for pensions fund cuts affecting other workers, saying, "Unlike everything I've done before, this is a statewide issue that affects every municipality... This is not limited to Chicago."

That the bill would become law was never seriously in doubt. Having passed both Democrat-controlled houses of the Illinois General Assembly, it would have become law automatically on June 10 if Quinn had taken no action.

The nearly 60-day wait occurred because Quinn was maneuvering with Emanuel to ensure that the city's plan for paying its enormous backlog of pension payments, the so-called "unfunded pension liability," would not depend on a large increase in city property taxes, as mandated in the original version of the law.

The business press lauded Quinn's decision to sign the bill, with *Crain's Chicago Business* gushing, "Gov. Pat Quinn did the right thing today and approved legislation overhauling two Chicago public-employee pension plans. He did it with a flair for the dramatic that we didn't know he possessed—making us wait until nearly the 11th hour before the deadline for signing or vetoing the legislation

expired. The GOP was quick to jump on the news and accuse Mr. Quinn of unfairly burdening taxpayers with property tax hikes. Unions—Mr. Quinn’s traditional allies—weren’t happy, either. Governor-wannabe Bruce Rauner quickly issued a statement saying, ‘I would have vetoed this law. . . This should have been a no-brainer—veto the bill, don’t squeeze Chicago families even more.’”

Quinn is currently locked in a tight race for governor with Rauner, a billionaire private equity magnate and close friend of Emanuel, and is desperate to appear to be a populist. One of his main messages has been the rejection of property taxes as regressive saying, “The property tax is not based on ability to pay.” He has also campaigned for homeowners to receive a \$500 property tax “relief” refund.

A solution to make it appear that Quinn was not tacitly approving a Chicago property tax increase was found through another law, which Quinn signed on June 6. That law approves an increase to the city’s monthly telephone tax from \$2.50 to \$3.90 per month. Although it is supposed to fund the city’s 911 emergency calling system, it will free up money to be used for pension payments. As Emanuel said, “It gives us the opportunity now to take property taxes off the table for the first year.”

The property taxes are regressive and unfair, but Quinn’s claim to champion the interests of workers on this issue is completely phony. Aside from his push for pension cuts, Quinn played a central role in calling for an extension of the state’s extremely regressive income tax increase. The increase, which Quinn had called for early in his tenure as governor, raised personal income taxes by 67 percent—from 3 percent to 5 percent. That law is set to expire at the end of the year. The governor spent last Memorial Day weekend calling for its extension.

Quinn’s posturing on the property tax issue is intended to distract attention from the relentless cuts to social services he has implemented, and provide the trade unions—who will be mobilizing for his campaign in the upcoming election—with some political cover while they collaborate with the governor’s gutting of workers’ pensions.

The executives who run the unions are dutifully lining up behind Quinn in order to defend their own dues revenue stream and institutional interests. They fear that Rauner is a figure more in the mold of Wisconsin Republican Governor Scott Walker, who would prefer to dispense with the unions rather than using their services to defuse popular anger and prevent the emergence of an independent political opposition from workers.

The unions, in the guise of their “We Are One Illinois” coalition, have for months been supporting pension “reforms” while encouraging illusions that Quinn and the Democratic Party could be persuaded to make less radical cuts. In the last few days leading up to the June 9 deadline, WeAreOne.org urged workers to call the governor and other representatives as if the Democrats were answerable to the working class.

Nothing could be further from the facts. Upon signing the bill cutting state worker pensions last year, Quinn referred to retiree benefit cuts as his central mission, saying, “When I took office...we inherited a lot of challenges and problems, and pension reform was the number one challenge... I look forward to signing this pension reform. It’s important that we understand that action of the General Assembly, in a bipartisan way, will make the state stronger and the people stronger... advancing the interest of the common good, of everyday people.”

Far from calling mass demonstrations, let alone strikes, to oppose the attack on pension rights, the unions are doing everything to suppress opposition. Meanwhile, the unions are seeking to provide themselves with a cover by telling workers their rights can be defended through appeals to the capitalist courts. In that vein, the We Are One Illinois coalition issued a statement promising to pursue court action, saying, “The Mayor’s plan is unfair and unconstitutional, and our unions intend to seek justice and will be preparing to file suit.”

Token legal opposition to the pension cuts has been the hallmark of the trade unions’ posturing, as they continue to support the Democratic Party politicians leading the attack on the working class.



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