

Officials hail anti-democratic vote in Detroit to sanction attack on pension rights

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City and state officials have hailed the results of the ballot cast by creditors in the Detroit bankruptcy case as a ringing endorsement to impose unprecedented pension and health care cuts on the city's 32,000 active and retired municipal workers.

According to officials, city workers voted overwhelmingly to approve the debt restructuring plan proposed by Emergency Manager Kevyn Orr. Of those who voted, 82 percent of firefighters and police backed the plan, along with 73 percent of general retirees.

However, the main significance of the vote was the mass abstention. Only 15,626—or 49 percent—of the eligible 32,000 current and retired workers actually participated in the vote.

The vote was accompanied by a months-long blackmail campaign, which included threats of even deeper cuts if workers voted down the proposal. To wage this campaign, the city solicited the support of the American Federation of State, County and Municipal Employees (AFSCME), the United Auto Workers and other city unions, which demanded that workers vote “yes.” Even so, the city was only able to browbeat approximately 12,070—or 38 percent—of eligible workers to vote for the plan. Hundreds sent in ballots that were disqualified because workers abstained or did not sign the ballots as required, while approximately 15,000 others simply sat out the vote.

Thousands of workers recognized that the voting process was a fraud, in which they had no genuine means of expressing their opposition. Active and retired workers were lumped together with wealthy bondholders, insurance companies, banks and other big business creditors. Regardless of which way they voted, the judge had the power to unilaterally “cram down” the adjustment plan. To add insult to injury, even if every class approved the plan, the city of Detroit—in the form of the unelected emergency manager—had the power to change it and

propose a plan with even more onerous terms.

After the official tally was released, Orr crowed, “The voting shows strong support for the city’s plan to adjust its debts and for the investment necessary to provide essential services and put Detroit on secure financial footing. I want to thank city retirees and active employees who voted for casting aside the rhetoric and making an informed positive decision about their future and the future of the city of Detroit.”

This line was echoed by the state’s Republican governor, Rick Snyder, who declared, “I really want to say thank you [to pensioners]. They’ve made sacrifices or would be making sacrifices, and I appreciate their participation in this. It’s a difficult issue for them, but it’s critically important for all of Detroit, and it really creates a much better environment for them than what they would have faced otherwise because of the grand bargain.”

In exchange for a half-billion-dollar retiree trust fund and a “seat at the table” to negotiate future concessions, executives from AFSCME and other city unions agreed to drop their half-hearted opposition to the bankruptcy and join the “grand bargain” crafted by the court. The plan brings in the state government and wealthy private foundations, along with Orr, the courts and the unions, in a common assault on the city’s working class.

The plan will impose deep pension cuts—in violation of the state’s constitution—that will be used to set a precedent for an attack on the retirement benefits of millions of teachers, fire fighters and other public sector workers around the US.

“Turnaround experts,” the *New York Times* wrote Tuesday, would welcome the results as a “complicated model for the future of troubled, underfunded public-sector pension systems in other places.” The newspaper further noted that “the federal judge in Detroit’s case has ruled that pensions may be cut in municipal bankruptcies, and a majority of the city’s pension-holders have now

agreed to go along with such cuts rather than challenge them in court.”

Under Orr’s plan, general retirees will see a 4.5 percent cut in their pension checks, plus the elimination of cost of living adjustments. Firefighters and police will have present pension payments frozen and see a 50 percent reduction in cost of living adjustments.

The city will dump 90 percent of its obligations for retiree health care benefits and force retirees onto Medicare or Obama’s private insurance plans, which will impose impossible co-pays and deductibles on retirees already facing pension cuts. The unions will oversee future cuts in health care benefits, as they take over health care obligations with a fund valued at one-tenth of anticipated insurance costs.

In addition, thousands of active and retired workers are being forced to pay tens of thousands of dollars back to the city, based on the fraudulent claim they were paid “excessive” interest from their annuity retirement saving accounts. Taken together, the pension and health care cuts and the annuity “claw-back” will mean a 40 percent cut in the aggregate income of retirees.

The cuts to retirees and city workers will be accompanied by the transfer of the Detroit Institute of Arts to the control of a board run by wealthy private foundations. The city as a whole is being restructured in the interests of the rich, even as thousands of workers and poor are being cut off from basic services, including water.

“The city isn’t paying into the pension fund any longer,” said Steve, a former master plumber for the Detroit Water and Sewerage Department. “The retirees were scared of losing even more money. I know one who has to pay \$80,000 to the city from his annuity. We’re giving up our cost of living, and that is going to mean a 25 percent pension cut over a decade. Then there are the health care cuts.

“A month ago I got a letter from the city saying I had to pay \$3,900 per month to maintain my insurance. I thought it was a misprint and I called them up. They said it was right. What do I have to do, rob a bank every month and hope I’ve got \$4,000 in the bag just to have health care?

“They call us lazy and dumb and say we don’t deserve a pension. Then they turn around and hand millions of dollars in free land to billionaires like Mike Ilitch for his hockey arena.”

With the vote in hand, the bankruptcy court is moving quickly to impose the restructuring plan before Orr’s 18-month term expires. A component in the state funding

contribution passed by Democratic and Republican legislators, however, includes the installation of a financial oversight committee, which will continue to exercise virtually dictatorial powers over the city to assure the continual transfer of public resources to the banks.

US Bankruptcy Judge Steven Rhodes will convene a confirmation trial on August 14, where he is expected to rubber stamp Orr’s plan as “fair and equitable, feasible and in the best interest of creditors.”

From the beginning, the Socialist Equality Party has explained that the entire bankruptcy process has been a political conspiracy spearheaded by powerful financial and corporate interests, with the full backing of the two big business parties, the Obama administration, the news media and the unions. Its aim has been to run roughshod over the state constitution and create a precedent for gutting pensions and destroying services throughout the country.

The SEP condemned the efforts by the bankruptcy courts and Orr to give the dictatorial process through which this plan is being imposed the cover of legitimacy through the “ballot” submitted to creditors. We warned that there was no way the interests of workers could find expression in this process even if they voted “no.”

“Looking to the judge and the courts for a more favorable outcome would be a dire mistake,” the SEP wrote in a May 21 statement. “Every institution of the capitalist state, from the White House on down to the courts, the governor, the state legislature, the Detroit mayor and City Council, functions as a tool of the financial elite and is determined to make the working class pay for a crisis it did not create.

“No other force outside of the working class can be relied on to defend the right to jobs, pensions, health care and access to culture. A powerful movement of the working class—organized independently of both big business parties and their servants in the trade unions—must be developed, which rejects the entire framework of the bankruptcy and fights for a socialist alternative to the profit system.”

The outcome of this sham “vote” confirms this.



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