

# Cuts to pensions of Detroit retirees go into effect

Thomas Gaist  
3 March 2015

Retired Detroit city workers began receiving diminished pensions checks on Sunday, in accordance with the bankruptcy plan drawn up by former Detroit emergency manager Kevyn Orr and approved by the federal court system.

In all, some 32,000 active and retired city workers will be impacted by the cuts to constitutionally protected Detroit city worker pensions called for in Orr's plan.

Cuts to pensions were authorized in December 2013 by federal bankruptcy judge Steven Rhodes in defiance of clear language in Michigan's state constitution stating that public pensions cannot be "diminished or impaired."

Most retirees will endure a 4.5 percent "base cut" in addition to the loss of their cost-of-living adjustment (COLA) payments and the "clawing back" by the city of nearly \$240 million in annuity payments distributed to city workers over the past decade. City-funded health care benefits are to be reduced by 90 percent, from \$4.3 billion to \$450 million, under the bankruptcy plan.

In a transparent effort to divide and conquer the different sections of Detroit's working class, the bankruptcy plan demands slightly less severe cuts to the pensions of retirees from Detroit's police and fire departments, who will lose most of their COLA but will not see any immediate cuts to their pension checks.

An "Income Stabilization Fund" established by the state treasury is offering a minimal amount of supplemental payments to a small group of some 1,500 retirees, who will receive monthly checks ranging from \$1 to \$180. Only those pensioners who receive less than 140 percent of the federal poverty line will even be considered for the payments.

Given the rising cost of living and especially health care costs faced by retirees, many of whom pay

thousands of dollars per month in health care costs for doctor's visits and essential medications and treatments, such puny sums, offered to only a fraction of the retiree population, do not even amount to a drop in the bucket, and have clearly been devised for propaganda purposes.

The brutal fact is that Detroit retirees are facing the loss of their homes, access to medical care, impoverishment and death as a result of the cuts contained in the plan. The cuts will have much broader ramifications, as retirees will no longer be able to offer much needed support to children and grandchildren struggling amid the most desperate economic conditions since the 1930s.

The imposition of emergency management and the Chapter 9 bankruptcy filing were carried out with the full support of the Democratic Party and the Obama administration, and aimed at not only stealing the pensions of Detroit workers, but also opening the floodgates for the looting of public sector pensions and benefits nationwide.

Judge Rhodes openly revealed this agenda when he called last week for ending defined pension benefit plans across the US, and commented that failure to eliminate city worker pension plans completely during bankruptcy was a "missed opportunity."

In a piece published Monday, "A warning to cities: Watch your pension plans," *Crain's Detroit Business* noted that the Detroit suburb of Lincoln Park's emergency manager Brad Coulter has launched similar attacks on retiree health care and pensions along the lines of the Detroit bankruptcy.

Under Coulter's reign, Lincoln Park has imposed cuts to pensions and ended retiree health care, offering small cash payments for retirees to purchase their own independently. This despite the fact that Lincoln Park's

pensions have not missed a single payment to retirees in the past decade, *Crain's* noted.

Signaling the beginning of a new wave of attacks against tens of billions of dollars of pension obligations owed to public workers, Moody's credit rating service downgraded Chicago's municipal debt last week, citing the city's supposedly unfunded pension obligations.

The *New York Times* published an article last week, with a headline that crowed of the "Cracks Starting to Appear" in public pension plans throughout the country. "First in Detroit, then in Stockton, Calif., and now in New Jersey, judges and other top officials are challenging the widespread belief that public pensions are untouchable," the *Times* gloated.

The *World Socialist Web Site* spoke Monday with two retired city workers about the impact of the cuts on their pensions and health care.

Steve, who previously worked as master plumber for the Detroit Water and Sewerage Department (DWSD), expressed his frustrations with the outcome of the bankruptcy. "We the retirees were supposed to be the largest creditor, and we didn't get anything," he said.

"Syncora, the financial insurance guarantee corporation, they ended up getting assets. They got assets that are producing income and are worth money. These were insurance companies, they collected premiums based on the city's borrowing. Now when the city is supposedly bankrupt, they are actually receiving property, parking garages. We, the civil servants, are having everything stripped away," Steve continued.

"With this claw back, they took the highest earning year from my account and just take 20 percent from, saying that is what you gotta pay. When we signed on with the city, they told us, 'when you retire you will have healthcare for life.' The city was supposed to guarantee us \$1,200 per month. Now, I won't even be able to help my kids get health insurance. They don't have insurance, they are both students and they both work, and they can't afford health care. They don't know whether they will be fined or what is going to happen.

"When I took this job, I thought, what could happen to the city of Detroit? It's been around since 1703. Instead, I could have gone to work for Weiss Plumbing. I wouldn't have been buried alive. I wouldn't have gotten a spinal surgery. I thought I was providing a

service to the community, I thought I was trying to make it better. As city workers, we did work for 15 to 35 percent less than the private sector," he concluded.

The *World Socialist Web Site* also spoke to Robert, a retired Detroit bus mechanic, who denounced the imposition of an emergency manager and the bankruptcy process as undemocratic. "Actually, Governor Snyder put us into a dictatorship with that emergency manager law. We voted it down, the whole state voted it down, and he just changed the word or two and put it through because he wanted it," Robert stated.

"Now, they are stealing employee's personal money with that claw back. This is our own personal money that we put in. The city did not contribute anything. A lot of retirees are right now below the poverty level and this cut is going to be terrible. And then they want to cut more? To take their own money. How hardhearted can you be?"

Robert concluded by connecting the attack on workers in Detroit to the breaking of the PATCO strike in 1981. "All this stuff started with Reagan back when he fired to those air-traffic controllers. I thought the whole country should have been shut down. A strike like that would have lasted one day and it would've been all over."

*The author recommends:*

Judge in Detroit bankruptcy calls for dismantling public employee pensions nationwide  
[28 February 2015]

The Truth Behind the Bankruptcy of Detroit  
[15 February 2014]



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**