California Democrat plans ballot proposal to cut public employee pensions

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Chuck Reed, the former Democratic Mayor of San Jose, is planning to reintroduce a ballot measure that would eliminate constitutional protections for public employee pensions in California, Reuters reported last week.

Starting in May, Reed and a coalition of businesses and politicians will begin the process of gathering enough signatures to place a measure on the 2016 ballot that would allow the state to slash CalPERS, the $300 billion state employee retirement fund which manages the pension obligations of more than 3,000 state and local agencies.

The announcement follows the recent bankruptcies of Stockton and Detroit, which set a precedent for slashing pension obligations protected by state constitutions.

In an interview, Reed said, “CalPERS has dedicated itself to preserving the status quo and making it difficult for anybody to reform pensions,” adding, “This is one way to take on CalPERS, and yes, CalPERS will push back.” For its part, CalPERS has agreed to increase pension contributions by employees in most cities by up to 50 percent in the next few years.

Last year, Reed was forced to abandon a similar ballot proposal after state attorney general Kamala Harris approved wording of the initiative that Reed called biased and “union-friendly.” The summary of the proposal read: “Eliminates constitutional protections for vested pension and retiree healthcare benefits for current public employees, including teachers, nurses, and peace officers, for future work performed.”

Reed sued to have the wording changed, but the lawsuit was rejected by a superior court judge who ruled there was nothing “false or misleading” in the way Harris described the ballot measure, which would effectively amend the California Constitution in order to give state and local authorities the power to change future pension formulas for current employees.

The dispute over the ballot summary reflected concerns within the ruling class over how best to implement pension “reform.” While the political establishment in Detroit used a bankruptcy proceeding to slash pensions, Reed is seeking a similar outcome outside of the courts and through a public referendum.

Harris represents other layers of the establishment who believe pension cuts can be achieved by having the trade unions enforce cuts on their own membership within the current legal framework.

Reed’s earlier ballot proposal enjoyed bipartisan support from four other California mayors. Various sources, including the *Sacramento Bee*, documented support from former Enron Corp. trader and Texas billionaire John D. Arnold.

Reed also threw an olive branch to the trade unions by asserting: “The initiative explicitly requires that changes to government employee retirement benefits comply with applicable collective bargaining laws and wait until current labor contracts expire. It does NOT allow changes to be made unilaterally.”

Despite an apparently rough relationship with Reed, the unions did nothing to oppose his ascension to the mayoral post, especially in 2009 when he won a second term by a landslide, with 76.7 percent of the votes. Nominal disagreements between Reed and the unions centered mainly around the size of San Jose’s pension debt, which, according to the unions, was exaggerated by Reed’s estimate.

While Reed was termed out of office in December, he has returned with a more concentrated effort to challenge CalPERS and place a more palatable measure on the November 2016 ballot that would still give local authorities and mayors the task to renegotiate contracts.

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Reed and his backers will have to gather signatures from 585,000 registered voters, or 8 percent of the number of voters in California's last gubernatorial election.

The drive to slash workers' pensions was given further encouragement by a judge in Stockton, who ruled that the city can move forward with its bankruptcy plan of adjustment. Judge Christopher Klein declared, "CalPERS has bullied its way about this case with an iron fist," and that the fund "turns out to have a glass jaw."

According to the judge, municipalities will now be allowed to exit the pension system entirely and the payment of pensions which are honored under state law can be set aside under federal bankruptcy laws.

As mayor of San Jose, Reed was responsible for passing a pension-cutting measure and slashing the city's workforce by over 20 percent, while cutting the pay of the remaining workers by 10 percent. Under his pension "reform" referendum, state employees were forced to accept their current pension plan by paying up to 16 percent more or switch over to a new plan with a higher retirement age and lower-cost-of-living adjustments. New employees were given an even worse plan and had to contribute half the cost.

The assault on pensions enjoys the bipartisan support of the entire political establishment, all the way to the White House. Behind the scenes, the Obama Administration played a decisive role in pushing through the Detroit bankruptcy.

Following Detroit's precedent, Democratic Illinois Attorney General Lisa Madigan has claimed that the state was entitled to break its pension obligations according to the "police powers" provision of the Tenth Amendment of the US Constitution.

Whether through public referendums that are financed by Wall Street bankers or bankruptcy courts, the end result is the same: the destruction of a secure retirement for workers and their families, in the interest of the enrichment of Wall Street and the financial oligarchy that dominates political life in the United States.

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