Illinois governor proposes deep pension cuts

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With the state of Illinois still lacking a budget for the fiscal year, which started July 1, Governor Bruce Rauner introduced a nearly 500-page bill that would slash the pensions of state and municipal workers throughout the state. Aside from cuts to pensions, Rauner's proposed legislation also serves to repackage the major elements of his "Turnaround Agenda," which would vastly curtail income protections for both public and private sector workers.

Rauner's veto of the Democrats' unbalanced budget has thrown the state into a fiscal crisis. Both parties are eager to utilize the situation to ram through a series of right-wing measures as part of a so-called grand bargain. On Tuesday, July 8, a Cook County judge ruled that the state can only pay its "essential" workers the federal minimum wage while Illinois operates without a budget. This will effectively mean the suspension of paychecks for many state workers, due to the inability of the state comptroller to process lower payments or to assess which workers are considered essential.

Illinois state workers would be hit severely by Rauner's proposal. Not only would they be limited as to what subjects could be covered in collective bargaining, these workers would have their vacation reduced to two weeks for those with under 15 years of service, and three weeks for those with over 15 years. Seniority would be mostly eliminated, and overtime pay would apply only after 40 hours, instead of the current 37.5. Their pay would also be "guaranteed" not to decline for five years, implying that wages will be essentially frozen during that period.

The legislation would also offer "incentives" for workers with Tier 1 pensions to move into much less expensive Tier 2 pension plans. This would be accomplished by offering them bonuses of $2,000 and overtime at 37.5 hours, and a choice of either a $3000 one-time salary increase, two additional weeks of vacation, or seniority rights. In exchange workers would lose up to one-third of total pension benefits according to estimates.

Workers with Tier 1 pension plans at state universities and colleges and teachers outside of Chicago would be forced to choose between having a Tier 2, non-compounded annual pension increase of the lesser amount between three percent or half the Consumer Price Index, or they could keep their current three percent compounded annual increase and have their pension based only on their current salary. Cook County workers would choose between a plan similar to this one, or would choose which cuts to take as state workers.

The city of Chicago would receive 15 more years to ramp up the funding of its police and firefighter pension funds. This relieves the city of a $219 million payment next year, and represents an $843 million decrease over the next five years. Chicago would also receive authorization to build a city-owned casino, with funds directed to shoring up pension funds.

Firefighters and police outside of Chicago with Tier 1 pensions would have to choose which pension cut to take in a similar manner to workers at state universities. All of their individual pensions funds would have their assets transferred to the Illinois Municipal Retirement Fund (IMRF) for management. New hires would be placed into a Tier 3 pension plan, which would be a hybrid defined benefit/defined contribution plan with local control of benefits. Additionally, all firefighters and police would have the definition of catastrophic injury restricted, so that basically only those totally disabled and completely unable to work would receive payment.

The law would require Chicago teachers to pay the entire cost of their pension contributions, at nine percent per year of their salaries. Currently, Chicago Public Schools (CPS) pays seven percent of teachers' contributions—the result of a 1981 agreement between CPS and the Chicago Teachers Union (CTU) in exchange for a wage freeze. This proposal would mean an effective seven percent salary cut for teachers, a threat that has already been made by Chicago Mayor Rahm Emanuel in current negotiations for a new CTU contract covering nearly 30,000 teachers.

Outside of these changes to pensions, Rauner has also added a provision to the proposal which would allow

Illinois municipalities to file for bankruptcy. In the wake of the Detroit bankruptcy decision last year, sections of the ruling class in Illinois have sought state authorization to file for bankruptcy in order to rid municipalities (including cities, counties, school districts, and park districts) of pension costs in a similar manner. Rauner's proposal would implement the mechanism to declare a fiscal emergency and start the movement toward bankruptcy.

All of these changes are in addition to previous proposals to freeze local property taxes, end prevailing-wage requirements for public projects, and allow local governments to dictate subjects of collective bargaining. Proposals to restrict workers' compensation and to make it harder to file lawsuits against corporations are also included.

Many of the pension provisions in Rauner's proposed legislation have been incorporated from previous pension legislation proposed and passed by Democrats. Most of the changes to Chicago fire and police pensions were already included in the Emanuel-backed Senate Bill 777, which had already been passed by the Democratic-controlled Illinois House and Senate, and which was only waiting for the governor's signature. Similarly, the provisions affecting Cook County workers were originally proposed by Cook County Board President Toni Preckwinkle, another Democrat, and had also passed in the legislature.

In the wake of the May 8 Illinois Supreme Court decision, which overturned a state bill cutting pensions, the ruling class has decided that a new strategy is needed, based upon a dubious legal theory known as "consideration." This strategy was first articulated by Democratic Senate President John Cullerton during the process which led to the now-overturned pension law, and is based on the idea that in order to diminish benefits—strictly prohibited by the state constitution—the state would have to offer something of value in return. This idea, as it has been worked through by Rauner and the Democrats, is to make current working conditions so terrible that workers will be forced give up their pension benefits in exchange for a small alleviation of their circumstances.

The trade unions, through the We Are One Illinois coalition, supported the Cullerton pension plan and its theory of consideration over the pension cut plan that passed, which was based on a proposal from Illinois Democratic House Speaker Michael Madigan. Now that this plan has resurfaced in Rauner's proposal, their response has ranged from indifference to the pension cuts to dismissal of the seriousness of the situation facing Illinois workers.

For its part, the American Federation of State, County and Municipal Employees (AFSCME), is more concerned that changes to collective bargaining will undermine their financial and institutional interests. Anders Lindall, a spokesman for the AFSCME Council 31, said, "Governor Rauner's obsession with destroying the collective bargaining rights of working people in Illinois is exposed for all to see," and that the "legislation attempts to use the pension issue to wipe out the right of public service workers to have a voice on the job and bargain for a better life."

According to the outlook of the union bureaucracy the attack on pensions is not of vital importance, but rather a distraction! In fact, "collective bargaining" means nothing if the unions have already agreed to collaborate in the destruction of such rights.

Jesse Sharkey, vice president of the Chicago Teachers Union and a leading member of the International Socialist Organization, did everything to belittle the significance of the pension attack and to boost illusions in the Democrats, saying, "the last time I checked, (Rauner) doesn't have enough votes to vote this though any legislative body."

Rauner himself acknowledged that the Democrats are in a position to resolve the budget crisis at any time without needing to entertain any of these pension cuts or attacks on workers' rights and living conditions. He dared Democratic leader Madigan to do so, saying, "Pass a tax hike. Go ahead. You have a super-majority, he can do it." As their actions make clear, however, they have no desire to take any measure that might undermine the "business climate" in the state. Rather, their goal is to accomplish the same attacks, but through close collaboration with the unions in order to prevent a rebellion by workers.