LA unions hail pension “reform” to legitimize attack on working class

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The ongoing negotiations on pension “reform” between the Coalition of Los Angeles City Unions, (CLACU) and the Los Angeles City Council are an attempt to provide a smokescreen for the consolidation of losses by city workers of significant portions of their retirement benefits.

In 2012, the Los Angeles City Council passed a reactionary measure creating a tiered pension system for Los Angeles city workers. Workers starting employment with the city after July 2013 are designated as having “tier 2” retirement benefits. Pensions represent one of the most substantial benefits workers receive and are often targeted as part of a larger assault on the working class. US employers, both public and private, are increasingly replacing pensions with 401(k)-type retirement plans or eliminating them outright.

Since the measure went into effect in July 2013, over 2,000 new tier 2 city workers will need to work at least an additional five years before retiring, depending on long they were employed with the city, and will receive 25 percent less from pension payouts once they do. Should a spouse survive a worker with a tier 2 pension plan, the spouse will not receive any benefits, as opposed to the spouse of a tier 1 worker who would continue to receive 50 percent of benefits.

The CLACU, a coalition in the Los Angeles area including the American Federation of State, County and Municipal Employees (AFSCME), the Service Employees International Union (SEIU), Teamsters and several other unions, nominally protested the details of this measure when it was first being passed.

Posing as defenders of the interests of the living standards of workers, CLACU held protests at city hall and initiated an ongoing lawsuit against the city on the grounds that the new changes hadn’t been negotiated with the unions.

Now CLACU, led primarily by the SEIU, has proposed a four-year agreement with the Los Angeles City Council revising the 2012 measure. The membership ratified this agreement last Tuesday and the city council will soon deliberate on it. While the city council is still determining the exact costs of the agreement, they appear to be generally in favor of the proposal.

Based on reports of the proposal and discussions so far, the unions will not only agree to drop the lawsuit against the city, but they will agree to preserve and even expand its attacks on pensions. Said Herb Wesson, the council president, “The trade-off is worth it … This new pension [is] going to save the city significantly over an extended period of time.”

Despite CLACU’s claim that the proposed agreement preserves retirement security, the deal only lowers the retirement age for workers with a tier 2 pension plan from 65 down to 63. Before 2012, workers who worked for the city for 10 years could retire at age 60. Workers who worked for the city for 30 years could retire as early as age 55. This second option was removed altogether in 2012. With the retirement age now fixed at 63, many workers will have to work an extra three years before retiring, and for those who work for the city the longest, eight years.

Cynically, the SEIU claims that this contract “improve[s] pensions by moving all tier 2 employees to tier 1.” While they are certainly working to eliminate a tier, they are eliminating the higher standards given to tier 1 workers, while pushing the better part of the 2012 cuts into a new tier 1. It would be more accurate to say they’re ensuring all future workers are tier 2.

Furthermore, pension payments under the new agreement will be 80 percent of the retiree’s previous salary, instead of 75 percent from the 2012 bill—still well below pre-2012 levels.

To make up for these apparent improvements, the deal also includes provisions slashing salaries for many new city employees by up to 8.25 percent and freezing raises until mid-2017.

The unions also claim that the deal involves the hiring of 5,000 new workers. However many city workers are expected to retire in the coming years, and many of these 5,000 new workers won't be filling new positions, but will backfill vacated ones under the new conditions included in the rest of the bill.

The chief labor negotiator for the city, Miguel Santana, emphasized, "We didn't commit to grow the workforce by 5,000," giving the lie to CLACU's claim that they "won a commitment to restore 5,000 jobs and city services that were lost due to cuts made during the recession."

Regardless of union triumphalism over the acceptance of the bill and their claims to reversing the cuts, the reactionary core of the deal remains more or less unchanged from the 2012 version. In some areas the cuts are alleviated, but in others they are actually deepened. Throughout the deal, the basic premise is that the working class must be made to pay for the crisis brought on by capitalism.

The unions' promotion of these new retirement reforms indicates their fundamental agreement with the need to cut workers' benefits and reveals their own class interests. The unions postured against the pension "reforms" in 2012 primarily because they wanted to preserve their own role in carrying out these cuts.

The SEIU has made an effort over the last several years to get leading Los Angeles local members elected to the investment board of LACERA, the Los Angeles County Employees Retirement Association, the organization overseeing pension management for the county. Aside from these SEIU members, the board is otherwise filled mostly with CEOs and investors.