

# TVA pension cuts: A new stage in the assault on American workers

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The announcement this week of cuts to the pensions of the employees of the federally-owned Tennessee Valley Authority (TVA) marks a new stage in the drive by the ruling class, overseen by the Obama administration, to take back all of the social gains won by the working class over the course of a century of struggle.

The TVA, the largest public utility company in the US, employs 10,000 people and provides electricity and other services to 9 million residents in an 80,000 square mile area covering significant portions of Tennessee, Alabama, Mississippi, Kentucky, Georgia, North Carolina and Virginia.

As was noted in Friday's *New York Times*, the TVA cuts will breach the "firewall" that up to now has protected federal employee pensions, marking the first time that the federal government makes significant moves against defined benefit obligations. The underfunding of the pension plan by an estimated \$6 billion is being used to justify the cuts.

The Tennessee Valley Authority Retirement System (TVARS) board approved a plan on Thursday that would shift workers hired since 2006 from a defined-benefit plan to a defined-contribution 401(k) investment plan. Those hired since 1996 with more than 10 years on the job would see their pensions split between the current plan and the 401(k). This scheme, which still has to be approved by the overall board of directors of the TVA, is slated to take effect in October.

While the plan maintains defined benefit pensions for current retirees, a cost-of-living adjustment (COLA) on benefits will be capped at 6 percent. For current employees and retirees under 50, the COLA will not kick in until they turn 65.

The plan approved by TVARS is a slight modification of a proposal put forward by the CEO of

the utility, William D. Johnson, to cut \$700 million from pension obligations over 20 years. The cuts would not impact a special executive retirement plan that supplements the pensions of those who sit on the TVA's executive board, including the multi-millionaire Johnson.

Johnson, the former CEO of Progress Energy, received total compensation of \$6.4 million in 2015, making him the highest paid federal employee. Expressing his contempt for TVA workers, Johnson told the *New York Times* that cutting his own pay would not make a dent in the pension system's liabilities and that maintaining executive pensions was necessary to "attract talent."

The attack on the pensions of TVA employees is a warning that no section of the working class is exempt from the social counterrevolution being carried out in the interests of the financial aristocracy. The TVA is seen as low-hanging fruit in the public sector since it is exempt from federal regulations that guarantee pension benefits and penalize companies for underfunding pension plans.

The imposition of cuts there will set a precedent for overriding pension guarantees for other federal employees, just as the Detroit bankruptcy, backed by the Obama administration, became the model for gutting public-sector pensions in other cities and states across the country, as well as for attacks in the private sector.

Over the past 35 years, the percentage of workers receiving pensions has been vastly reduced. The share of private-sector workers with a pension has fallen to less than 3 percent from close to 30 percent in 1980. Millions have been pushed into 401(k) investment plans, which funnel retirement funds into the hands of Wall Street speculators.

The announcement of the assault on the TVA pension fund follows the Obama administration's recent gutting of benefits for hundreds of thousands of retired truck drivers, package handlers and other workers covered by the Teamsters Central States Pension Fund.

In a country where 400 billionaires control more wealth than the bottom half of the population and the top 1 percent captures more than 21 percent of all income, it has become a mantra that there is "no money" for pensions, health care or any other social program. Yet hundreds of billions of dollars continue to be paid out in executive compensation.

Millions of workers had their retirement savings wiped out as a result of the collapse of the stock market in 2008 and most have never recovered. On average, workers between the ages of 56 and 61 saw their retirement savings fall by 23 percent between 2007 and 2013. Millions more, without any retirement benefits or savings, are entirely dependent on meager Social Security payments.

The assault by the Obama administration on the TVA has a symbolic significance, underscoring the utter hostility of the Democratic Party today to the social reforms carried out decades ago by Democratic Party administrations. The utility was created by the federal government in 1933, marking a high point in Franklin D. Roosevelt's New Deal public works program aimed at heading off a socialist revolution in the depths of the Great Depression.

Modeled to a certain extent on the central planning employed by the workers state in the Soviet Union, the TVA brought electricity and modern farming techniques to a section of the country that had remained mired in poverty and backwardness.

The attack on TVA pensions is the spearhead of a broader attack directed ultimately at the dismantling of the utility as a government-owned entity and its carve-up among corporations looking for new sources of profit. This is but the latest indication of the mortal crisis of American capitalism, which poses the necessity for a mass political and revolutionary response by the working class.



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