

University of California president proposes privatization of pension fund

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University of California (UC) president Janet Napolitano is proposing sweeping changes to the university's pension program, using as pretext the closing of the fund's deficit. The proposal is only the latest in the bipartisan attack on public-sector and private-sector pension plans throughout the United States.

Napolitano, the former Department of Homeland Security secretary, sent an e-mail to UC staff last Friday outlining her proposals, which she is presenting at the Board of Regents March 23-24 meeting.

Napolitano is proposing that new employees hired on or after July 1, 2016, will have the "option" of a 401k-style pension plan or a defined pension combined with a 401k. The proposed changes would "save" the pension fund \$99 million a year for the next 15 years.

The proposed changes will tie new hires' pension plans directly to Wall Street speculation. Napolitano wants use the move away from defined benefit pensions throughout the country as a model for her reforms. According to her, "Many universities and private employers don't offer pension benefits and offer only 401k-style plans."

In her letter to UC faculty members, Napolitano wrote, "Since we compete in a global market for faculty, often against elite private institutions that can typically pay more than UC, maintaining a pension benefit along with a 401k-style supplement is important to attracting and retaining the caliber of personnel we need to maintain UC's excellence."

What this means is abandoning the defined benefit plan, typically more favorable to the employee, and replacing it with a 401k-style plan. In effect, employers like UC would no longer have to maintain and pay into the fund or, for that matter, offer pension benefits in the future.

Under UC's 2015 budget agreement with the state, the school system will receive \$1 billion in new revenue provided the new changes are made. In addition to this, Napolitano is also proposing merit-based pay to be a "regular component of system wide salary programs." While the pension changes will not affect current and retired workers, Napolitano's proposal creates a two-tier system, whereby older workers will be pitted against younger workers.

While the pensions of current and retired workers are considered sacrosanct today, there is no guarantee they will not also be put on the chopping block in the future. Recent bankruptcy rulings, from Detroit to Stockton to San Bernardino, have paved the way for the destruction of the principle of the inviolability of public pensions.

Napolitano is not alone in wanting to privatize state workers' pensions. Chuck Reed, former Democratic mayor of San Jose, who has spearheaded the effort to privatize pensions statewide, has now renewed a pension reform ballot initiative that will be ready for the November 2018 election.

The proposal includes requiring voter approval for any new government pension plan for new workers or any increases in compensation and benefits, the prohibition of any taxpayer subsidies of more than 50 percent for compensation and benefits, and the prevention of any delays or challenges to approved ballot measures.

The bipartisan measure is also being supported by former Republican San Diego City Council member Carl DeMaio and was originally announced last June for a November 2016 ballot initiative. In San Diego, as well as San Jose, pension "reform" measures were spearheaded by then respective mayors, Republican Jerry Sanders and Democrat Chuck Reed, and passed in 2012. The measures either effectively reduced pension

payments and increased employees' contributions or switched pensions to a 401k-like plan.

A pension-slashing campaign has also been launched by the Pacific Research Institute, a right-wing think tank funded by the Koch Foundation, which has released a report by Wayne Winegarden entitled, "California's Pension Crowd Out." The subtitle reads, "California's defined benefit public pension plans are unaffordable and over-burden current and future taxpayers."

Unsurprisingly, Winegarden argues that pension benefits are "overly generous" and advocates repealing the state constitution, which protects a defined benefit plan. This would be followed by the wholesale privatization of state pensions.

The recent UC proposals follow a strategy pursued by the ruling class through which wealth has been redistributed from the bottom to the top for the benefit of a tiny financial oligarchy. Last February, details of the Obama administration's initiative to slash benefits for hundreds of thousands of retired workers covered by multi-employer pension funds emerged, marking an escalating assault on private-sector pension benefits.

Following the same logic in California, the Democratic Party, under Governor Jerry Brown, and the trade unions have enlisted their full support behind pension cuts. After pushing through his own pension "reform" in 2012 with full bipartisan support, Brown has already called for teachers to increase their contributions into the California State Teachers' Retirement System (CALSTRS), and is in full agreement with the Republicans on this issue.

Once again, there is an unlimited amount of money for the Wall Street criminals and the Pentagon's wars, but the rest of society is kept on rations.



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