California Assembly passes Secure Choice pension bill

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On August 25, 2016 the California state Assembly passed the California Secure Choice Retirement Savings Trust Act (Senate Bill 1234), a measure that will further erode pensions and living standards of the working class in the state.

California's Democratic governor Jerry Brown is expected to sign Secure Choice into law within 30 days of the bill's passage.

Originally conceived by Democrat Senator Kevin de León in 2012, this program will require workers of businesses with five or more employees to deduct 3 percent of their paycheck into a state-run Individual Retirement Account (IRA). Employers are not required to commit any additional funding to the plan. This program is projected to impact nearly 7 million private-sector employees and will likely begin to start taking effect in 2017.

Democrats and trade unions are labeling the passage of this program a victory for millions of working people who are denied the assurance of a secure retirement throughout the state. State Treasurer John Chiang, who is already running for California Governor in 2018, has praised the passage of the bill. Chiang was among the first to support the passage of the program.

"Today's historic vote by the Assembly marks the biggest improvement in retirement security since the passage of Social Security in 1935. We are one step closer to providing a more comfortable retirement for generations of elderly in the decades to come," Chiang said.

Even more triumphant was the tone of Yvonne R. Walker, president of the California Service Employees International Local 1000: "[E]very Californian who works hard over a lifetime deserves the opportunity to retire with a basic level of dignity. With Gov. Brown's signature on SB 1234, California will strike a significant blow against an epidemic of senior poverty and lift up those people most at risk: our state's women, people in low-wage jobs and people of color."

Workers will gain nothing from Secure Choice; on the contrary, they are the ones being compelled to pay for the entire plan. The measure is essentially a 3 percent pay cut for these workers, many of whom are already living paycheck to paycheck. Even from a numerical standpoint, such provision will result in a pittance of a fund at the end of employment.

This is only the latest scheme nationally to further the dismantling of past standards and shift the burden directly onto workers, who will have to pay for a precarious retirement themselves, while employers will not be required to drop one penny into the program.

Most notably, in 2014 an emergency manager, who collaborated with the Obama administration and enjoyed the full support of both Democrats and Republicans, dragged the city of Detroit into a bankruptcy court that effectively imposed a restructuring plan to satisfy banks and large bondholders, resulting in the dismantlement of public workers' pension and medical benefits. Unions including the American Federation of State, County and Municipal Employees and the United Auto Workers, supported this historic attack.

In addition to similar bankruptcy cases in Stockton and San Bernardino, in 2012 Brown signed into law his own version of "pension reform" for state, county and municipal workers. The measure increased the retirement age, created a two-tier system and required new hires to pay at least 50 percent of the normal, ongoing cost of benefits or the current contribution rate, whichever is greater.

SEIU President Walker's statements in 2011 provide evidence of how consistently unions have supported these attacks. At the time, she commented enthusiastically on Brown's planned attack on pensions: "Gov. Brown's pension reform proposals provide a good starting point for a new conversation about retirement security for all Californians, especially as California and the nation struggle to untangle the mess caused by Wall Street's financial malpractice."

Pensions in the private sector are nearly unheard of today. Where once employer-sponsored pension plans and social security benefits allowed workers to rely on the possibility of a decent retirement, recent decades have seen a massive shift away from such plans.

Starting in the 1980s, defined benefit pensions, through which retired workers are assured a monthly amount regardless of stock market conditions, were replaced by defined contribution plans, where the retiree's future benefit, whether a lump-sum or an annuity in the hands of a financial institution, is subordinated to the fluctuations of financial markets.

From 1979 to 2012, the proportion of private wage and salary workers participating in defined benefit pension plans fell from 28 percent to 3 percent (Employee Benefit Research Institute, 2012). This was the result of a trend established by a series of bipartisan initiatives, including the 1978 Revenue Act, the Tax Equity and Fiscal Responsibility Act of 1982, the Tax Reform Act of 1986 and the Pension Protection Act of 2006, all aimed at transferring retirement costs onto the working class and away from employers.

The Obama administration has carried out 8 years of relentless attacks on workers, including the restructuring of the auto industry which saw the pay of new hires cut in half. Its role in the Detroit bankruptcy was crucial in carrying out of the assault on city workers' pensions. Moreover, in 2014 the Obama administration passed the Multiemployer Pension Reform Act, which opened the door to the slashing of the pensions of up to a million retirees, in collaboration with Congress, corporations and trade unions.

In each of these instances, the ruling class has been able to rely on the unions to pass these reactionary initiatives off as the way forward for working people.

It is telling that business associations have no objection to Secure Choice. When the program was first introduced in 2012, employers complained they could potentially be held liable for administrative fees or if workers' accounts dwindle during a bear market. In response to this, the Secure Choice initiative was designed to be the least burdening retirement proposal on businesses by having all the risk fall on the workers. The current law includes language that exempts liability of employers for a downturn in employee retirement investment.

Rather than giving private sector workers a means to a secure retirement, this measure is a field test as an alternative to existing pensions that would increase profits for corporations at the expense of wages. Most mainstream news sources, such as the *New York Times*, have praised the California legislation as a model for other states, noting the cost effectiveness this plan offers to employers.

Other states are already looking at California as an example before finalizing their own version of Secure Choice. New Jersey and Washington already have a limited version of the bill that was passed in the California Assembly while Connecticut, Oregon, Maryland, and Illinois have similar measures pending.

The day the bill was passed, the United States Department of Labor passed rules that exempted states from certain requirements of the federal Employee Retirement Income Security Act (ERISA). This will remove certain legal obstacles from the federal government for states looking to implement similar programs.