

Detroit Emergency Manager freezing City Pensions and Benefits

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Detroit Emergency Manager Kevyn Orr announced a plan Thursday evening to freeze the city's pension system and wipe out benefits for all unvested workers—a significant section of the workforce. Current vested workers—uniformed workers with ten or more years service and non-uniformed workers with eight or more years—will cease accruing additional benefits when the plan takes effect on January 1. Future cost-of-living adjustments for all workers, retired as well as current, will be eliminated.

The move follows the announcement of a plan to eliminate retiree health care benefits, forcing retirees over 65 onto Medicare and giving the rest a subsidy to purchase private insurance.

Orr, backed by Michigan Governor Rick Snyder and the Obama administration, put Detroit into bankruptcy in July, with the aim of slashing workers' pensions, privatizing city services, selling off the collection at the Detroit Institute of Arts, and shutting down whole sections of the city. Detroit is seen as a model for similar actions throughout the country.

Under Orr's scheme, the existing "defined benefit" plan, in which workers receive a set amount every year, will be replaced by a 401(k)-style "defined contribution" plan, tying workers' retirement income to the vagaries of the stock market.

Worst affected by the proposal will be workers whose pensions plans have not yet vested. They will be shifted to the 401(k) plan with no accrued benefits.

The announcement on pension cuts was timed to coincide with the release of a report by the city's independent auditor, commissioned by Orr, which claims that "questionable practices" and "excess payments" to retirees were major causes of the city's debt crisis.

The report asserts that the pension fund's "excess payments" cost the city over \$1 billion. Prior to the release of Orr's report, the *New York Times* ran a front-page article claiming that Detroit "spent billions extra" on pensions.

Orr's report and the *Times* article are part of a vicious campaign by the political establishment and the media to pin the blame for the city crisis on the working class. This only demonstrates that when it comes to lies and disinformation, there are no depths to which the ruling class will not descend in its assault on the living standards of workers.

Workers in Detroit have suffered a devastating decline in wages, working conditions and social services as a result of more than three decades during which the banks and auto

companies plundered the city, shutting down factories and extorting massive tax abatements from state and local administrations. The city's debt crisis was exacerbated by the Wall Street crash of 2008, triggered by rampant fraud and illegality by the major banks.

The audit commissioned by Orr was rigged and its findings spurious. Since the 1980s, the Detroit pension plan has distributed any unexpectedly high investment gains to the workers, in the form of year-end bonuses known as "13th checks," which have averaged around \$250, according to Tina Bassett, a spokeswoman for the General Retirement Fund.

Crain's *Pensions and Investments* noted: "The 13th checks for retirees were allowed by the city almost every year for so long that they became a right that couldn't be revoked unilaterally, according to a ruling by Doyle O'Connor, an administrative law judge with the employment relations commission."

"A practice that continues for three decades is a tacit agreement," said O'Connor in an oral ruling earlier this year.

The "crime," as far as Orr and the banks for which he fronts are concerned, is that this money was not diverted into the coffers of top executives and big shareholders.

The attempt to paint \$250 annual bonuses paid to struggling retirees as the cause of the city's debt crisis is as absurd as it is hypocritical. Non-uniformed retirees receive pensions averaging only \$19,000 a year, while uniformed retirees receive a mere \$30,000. A report by *CNN Money* noted that a police pension in Detroit is half that paid by Los Angeles and significantly lower than either Kansas City, Dallas or Chicago.

Meanwhile, according to an analysis by Bloomberg News, the city has paid \$474 million to banks such as UBS, Bank of America and JPMorgan Chase for "underwriting expenses, bond-insurance premiums and fees for wrong-way bets on swaps" since 2005.

This figure does not include the hundreds of millions of dollars paid annually in interest on the city's debt.

Detroit's two pension systems have over 30,000 retirees and are valued at over \$6 billion. Orrs office, using methodology that has been disputed by the pensions trustees and other experts, claims the systems have unfunded liabilities of \$3.5 billion. Orr has deliberately inflated the level of unfunded liabilities in order to justify throwing the city into bankruptcy.

The announcement on pensions came the day before Obama administration officials met with Snyder, Orr and other local officials at a summit at Wayne State University to announce a paltry \$320 million in federal, state and private grant money to the city. Most of the federal aid money is slated for demolition of blighted properties and "neighborhood redevelopment." That is, it will go to assisting Orr's efforts to restructure the city on behalf of the wealthy.

Orr's attack on Detroit city workers and retirees is the spearhead of a national offensive by state and local governments to slash the wages and benefits of their workforces and to gut city workers' pensions, under the all-encompassing pretext of a budget crisis.

This policy, driven by the demands of the financial oligarchy, is being coordinated by the Obama administration, which has rejected any substantial aid to the city and worked behind the scenes with Orr to coordinate his offensive against the city workers.

The Socialist Equality Party and International Youth and Students for Social Equality are holding a demonstration on Friday, October 4 to oppose the selloff of the art at the Detroit Institute of Arts and the attack on Detroit workers. To learn more, visit defendthedia.org.

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