

**STATEMENT OF
THE PENSION RIGHTS CENTER****ON
“EXAMINING REFORMS TO MODERNIZE
THE MULTIEMPLOYER PENSION SYSTEM”****BEFORE THE
SUBCOMMITTEE ON HEALTH, EMPLOYMENT, LABOR AND PENSIONS
COMMITTEE ON EDUCATION AND THE WORKFORCE
UNITED STATES HOUSE OF REPRESENTATIVES****APRIL 29, 2015**

The Pension Rights Center is a nonprofit consumer organization that has been working since 1976 to protect and promote the retirement security of American workers, retirees, and their families. As your Subcommittee examines the “modernization” of the multiemployer pension system by exploring new plan designs for the future for active workers, we urge you to take this opportunity to reexamine provisions in the recently enacted Multiemployer Pension Reform Act of 2014 (MPRA) that give plan trustees almost unbridled discretion to reduce the benefits of retirees in “critical and declining” plans.

MPRA's provisions allowing retirees' pension benefits to be cut in order to reduce liabilities under multiemployer plans overturned 40 years of pension law, and undermined a central tenet of ERISA: once retirees earn their basic benefits, they can never be cut back – unless a plan completely runs out of money. Yet this new law will allow retiree benefit cuts many years before a plan is projected to become insolvent.

The new law's impact will be devastating to hundreds of thousands of pensioners who rely on their benefits to pay their daily living and medical expenses. These are people like:

- Emma C., 67, of San Antonio, Texas, who says that she and her husband are both in bad health and depend on their benefits for daily expenses and, as is, “don't even have enough now to get our teeth fixed, what does Congress suggest we do if our benefits are cut?”
- William O., 62, of McDonald, Ohio, who says, “I was assured that my golden years would be taken care of and all my years of hard work paid off. Now the news of cutting my pension in half (or more) makes me wonder how I will pay the bills. I am so upset about this happening that I find myself only sleeping a couple hours a night.”
- Paul F., of North Smithfield, Rhode Island, who says, “I have diabetes and my wife has congestive heart failure. We are also taking care of our two grandchildren, ages 12 and 14. Their dad was in a trucking accident and their mother is in ill health. We have been able to not ask for public assistance and we manage to get by day to day. If I lose my pension or part of it we will probably qualify for state help. Please do not take my pension. I worked very hard for it, I paid in to it, and it is all I have to live with.”

This legislation was passed at the very end of the 113th Congress, without debate or public hearings, as part of the end-year must-pass appropriations bill. Lawmakers were persuaded that the law was necessary in order to save the federal pension insurance program. But now we are told that the law will at most extend the life of the Pension Benefit Guaranty Corporation for two years.

Lawmakers were also told that retiree benefit cuts were the only way to save certain financially troubled plans that are projected to run out of money in 15 to 20 years. Allowing trustees to cut benefits, in some cases by 60 percent or more, was justified by the claim that “It is better to have haircut today than a beheading in the future.” But this reasoning is fundamentally flawed. As the retirees point out, many will not be alive in 15 to 20 years when their plans *might* run out of money. But now, retirees’ beheadings could come as early as next year when they stand to lose thousands of dollars annually of pension income they rely on to pay their expenses in retirement.

Although retirees over age 80 and those receiving disability pensions were exempted from the cuts, other last-minute protections that were added to the law – such as a right to vote on the cuts and the addition of a retiree representative in very large plans – were illusory. In the case of certain plans, the vote can be ignored; and it is the trustees, rather than the retirees, who choose the retiree representative. These protections will do little if anything for most pensioners.

The Pension Rights Center supports the development of innovative plan designs, particularly for the half of the private workforce not covered by any retirement plan, and we will be interested in learning about the composite plans to be discussed today. But first, retirees’ pensions must be protected. The cutback provisions of MPRA must be reversed.

We urge the Subcommittee to hold another hearing in the near future to listen to the concerns of the retirees and widows whose retirement security will be devastated by the cutbacks authorized by MPRA, to address their concerns, and to examine other ways of addressing the long-term financial problems of multiemployer plans and the PBGC.