SPEECH BY KAREN FRIEDMAN TO KANSAS CITY-MISSOURI COMMITTEE TO PROTECT PENSIONS
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When I was thinking about what I was going to say today… I thought "Why talk, when I can sing." So, let me serenade you with that old blues song "Kansas City, Kansas City here I come…right back where I started from..."

I've been in Kansas City a few times; the last time was February of 2017 -- and a lot has happened since I was there. For instance, last year at the PRC's 41st Anniversary event we honored both Dave Scheidt and Cindy McDaniel as our retirement Security superheroes for the great work they and you all are doing. Second, because of all of you we are making A LOT of progress toward getting Congress to solve this problem.

When this movement started in 2014, we were all working to stop the Multiemployer Pension Reform Act (MPRA) from being enacted – and, then a bit later, from stopping Central States from having their application to cut your benefits accepted by the Treasury Department. At that time very few people in Congress knew what MPRA was. And remember, the ONLY reason that MPRA passed back in 2014 was because it was stuck on to an end-year spending bill. The provisions had not been reviewed, and there hadn't been hearings.

But because of the work you all did, and continue doing, not just in the Kansas City-Missouri Committee to Protect Pensions -- but all the folks who are fighting so hard across the country, including all the leaders and members of the National United Committee to Protect Pensions -- Congress is listening.

Because of you, marching down the halls of Congress in matching black shirts with other retired Teamsters and ironworkers, and coordinating with unions and other organizations including IBT, PRC, IAM, AARP and others, Congress is listening.

Because of all the meetings you've had and all the letters you've written and all the phone calls you've made, and your persistence and your passion, Congress is listening.

And because of your message and the importance of who you are and the work you've done and the promises made to you, Congress is listening, and the media is listening, and we have made a lot of progress.

Because of you, and the work you did, advocating for MPRA to be repealed and for your benefits to be protected, Senator Sherrod Brown (D-Oh) introduced the Butch Lewis Act and Congressman Rich Neal introduced its House companion bill the "Rehabilitation of Multiemployer Pension Act", (The bill numbers are S-2147 and H.R. 4444). These bills provide a common sense way of shoring up funding in severely troubled multiemployer plans and if passed it will shore up plans and fully protect your benefits.

Here's how the Butch Lewis Act works:

- The bill would create a new division in the Treasury Department called the Pension Rehabilitation Administration (PRA)
- The PRA would sell new Treasury bonds in the open market to large investors.
- Then the agency would lend the money earned from the sale of the bonds to the troubled plans.
- Among the most protective features of the bill is that the pension plans would be required to use the loans to pay the full benefits of retirees either by buying annuities from an insurance company or by matching pension obligations with investment grade bonds.
- By relieving plans of having to pay retiree benefits means that there will be enough money in the plan to continue to pay the full promised benefits of active workers and save the plans for the future.
- Plans that have already cut benefits would be permitted to restore full benefits by using the relief offered by the bill.

What this means:

These bills were introduced in November 2017, just about a year ago at press events with great fanfare. Both the Minority leader in the Senate, Chuck Schumer, and the Minority Leader of the House, Nancy Pelosi, announced passing these bills was a top priority. And the reason these bills were introduced and championed is because of you. From the time when Congress introduced MPRA – and no one even knew that it was included in an end-year deal in 2014 – to now, the Butch Lewis Act has the support of the entire Democratic party and even some Republicans. There are 22 cosponsors in the Senate and 170 in the House.

As I said, the minority party leaders have made passage of the Butch Lewis Act a top priority, and in fact they fought for the bill to be included in an early draft of the budget deal earlier this year. But the leadership of the majority party did not endorse Butch Lewis as it was drafted. In a last-minute deal, both parties agreed to include language in the budget bill passed in February of 2018 -- that establishes the Joint Select Committee on Solvency of Multiemployer Plans which is charged with developing recommendations and legislative language by November 30th, to solve the multiemployer crisis.

<u>This new Joint Select Committee on Solvency of Multiemployer Plans is a compromise committee and they need to hear from you!</u>

There are 16 members that were appointed to the JCT, divided equally between the House and Senate and Republican and Democratic parties. The co-chairs of Joint Select Committee are Senator Orrin Hatch (R-UT) and Senator Brown. They have already had four hearings, listening to different stakeholders about their concerns and listening to different points of view. Other members are Senators Joe Manchin (D-WV), Heidi Heitkamp (D-ND), Tina Smith (D-MN), Lamar Alexander (R-TN), Michael Crapo (R-ID), Rob Portman (R-OH), Congressmen Phil Roe (R-TN), Vern Buchanan (R-FL), David Schweikert (R-AZ), Richard Neal (D-MA), Bobby Scott (D-VA), Donald Norcross (D-NJ), and Congresswomen Virginia Foxx (R-NC) and Debbie Dingell (D-MI).

All of you should put pressure on the members of the Committee, and all members of Congress, to develop a comprehensive solution that saves underfunded pension plans, pays full benefits to workers and retirees, and shores up the Pension Benefit Guaranty Corporation, which backstops troubled pension plans. Tell them to support the Butch Lewis Act, or something that has elements similar to Butch Lewis, and urge them to support a federal loan program that rescues underfunded multiemployer plans and that fully protects workers and retirees. Remember, if multiemployer plans are allowed to continue to cut benefits under MPRA then this sets a terrible precedent to embolden policymakers to cut benefits in Social Security, in Medicare, in state and local plans – and all pension plans.

What we're doing:

The Pension Rights Center has been meeting with Joint Select Committee members and we recently submitted a statement to the Joint Select Committee urging them to meet their deadline and urging them to come up with bipartisan legislation that will protect all of you.

We have heard that there are a number of ideas on the table and Butch Lewis is one of them but that they are looking at a bunch of different approaches. And we know that there is a split down party lines.

I have heard that staff of the Committee members are working together to develop a bipartisan solution. We have heard that some of the members don't like a loan program because they see it as a bail-out, and we need to let them know that giving a loan to save plans and your benefits is NOT a bail-out. This is an employee-retiree-employer assistance plan and plans will pay back the money. So, it isn't a bail-out. Also, the money being lent to plans is from the bonds sold to the private sector.

Americans come to the aid of their brothers and sisters in times of need. This is an American tradition. It's a bipartisan tradition. When a city or region is devastated by severe storms or other natural disasters, no one questions whether the government should step up with assistance. During the financial crash of 2008-2009, Congress came to the aid of the U.S. auto industry and the banking industry. Millions of tax-paying American retirees, who worked hard to build our country and ensure our standard of living, deserve no less. Tell your members of Congress this is about protecting the American dream.

Here is what the PRC told the Joint Select Committee in our statement:

We said that however they decided to fix the problem, we have our bottom line key elements of a fair multiemployer Solution. We told them that while we understand that there will be give and take in crafting a multiemployer solution, we strongly urge the Committee to incorporate into any approach the following core principles:

<u>Principle # 1:</u> because of the importance of this issue, legislation should result in the financial stabilization of such plans so that a robust multiemployer system will continue into the future.

<u>Principle #2:</u> the majority of multiemployer plans are financially sound, and legislation should not harm those plans.

Principle # 3: Third, and for us most importantly, the financial cost of repairing the multiemployer system should not be borne by retired participants in these plans, as has occurred under MPRA. This legislation must be repealed and replaced with a workable solution that balances the interests of all stakeholders and protects the earned benefits of workers and retirees.

Principle # 4: Federal financial assistance is appropriate given that the economic and human costs of not fixing the system vastly exceed the costs of fixing it.

Principle #5: The Pension Benefit Guaranty Corporation's multiemployer program must be improved and put on a sound fiscal basis.

Principle #6: Shoring up the ability of currently financially-troubled plans to meet their benefit obligations should be the Committee's sole concern and they shouldn't be looking at new composite plans, which are hybrid plans that have been proposed. (We worry that these new plans could further endanger the multiemployer system, even well-funded plans).

Furthermore, here are other key message points that you should relay to the Joint Select Committee members:

This is not a problem Congress or the Joint Select Committee can sit on. This is not something they can wait to solve. The longer Congress waits, the more expensive it will be to fix the problem.

This is not a partisan issue.

On that note, make sure that your legislators help you on this issue, that they support the Butch Lewis Act, or they at least weigh in with the Joint Select Committee members and get them to support a comprehensive, fair solution by the deadline on November 30th. Keep pressure on your Senators and members of Congress. Remind all your legislators that you are voting on this and other economic issues and you won't be stone-walled! Thank those who have supported you. And don't be partisan. Support those who support you!

Here are other points we made in our statement and that you might want to make also:

We said that you and others who are fighting for our benefits are hard-working patriotic Americans—retired mine workers, truck drivers, warehouse workers, iron workers, including many veterans who fought to preserve democracy around the world.

You are Republicans, Democrats and Independents – and you are voting on this issue. This is the message you should impart again and again. Make sure you let your legislators know that you will vote for those who stand up for you and help find a solution to this multiemployer crisis.

Tell them you gave up wages, vacation pay, and other workplace benefits in exchange for the promise of a guaranteed pension at retirement – and that this was the promise that Congress made to workers and retirees when it enacted the Employee Retirement Income Security Act (ERISA) in 1974.

In our statement we told the Joint Select Committee that you have been counting on this income to fund your retirement years and to avoid poverty in old age. If your promised pensions are cut, it will not only destroy the lives of the pensioners themselves, but wreak havoc on spouses, children, grandchildren and other family members.

We said that Pension cuts will also harm local economies where pensioners buy groceries, frequent restaurants and keep local businesses thriving.

You also need to tell them that have nothing to do with the problems of your pension plan. There are a variety of reasons why certain multiemployer plans have funding shortfalls. Economic changes have caused many industries to decline, resulting in the loss of jobs they provided. Many plans now find themselves with more retirees who are owed a pension than with active workers. This, together with company bankruptcies and numerous employers withdrawing from plans, has caused a significant decrease in employer contributions to plans. Investment losses in 2001 and again in the 2008 stock market collapse made matters worse by greatly reducing the amount of money these plans must invest and pay benefits.

All of this is true, but you are blameless. You had nothing to do with the shortfalls in your pension plan. You did everything right. You met your end of the bargain. Now Congress needs to help make sure these pension promises are met. This is everyone's problem: That's why the Chamber of Commerce and other business groups are also advocating for a loan program. While we may not agree with the specifics, we all want a solution.

Keep these facts in mind: More than 100 plans are headed toward insolvency within the next 10 to 20 years, and many others are likely to follow. Simultaneously, the insurance program run by the Pension Benefit Guaranty Corporation, which backstops the nation's plans, is expected to collapse by 2025. If nothing is done and the plans become insolvent, retirees will receive pensions worth pennies on the dollar, employers will go out of business, tax revenues will be severely reduced, and communities will suffer economically.

The insolvency of the 400,000-member Central States, Southeast and Southwest Areas Pension Fund, alone would result in the loss of about 55,000 jobs nationwide by 2025, according to a recent paper (https://www.powrnow.net/wp-content/uploads/2018/09/2018-AB-Report.pdf) by Alex Brill, the former chief economist and policy director to the House Ways and Means Committee. The nation's GNP would drop by more than $5 billion, with state and local tax revenue declining by almost $450 million, and federal revenue would be reduced by $1.2 billion, according to Brill's report. Separate reports show that making whole the Pension Benefit Guaranty Corporation's multiemployer pension insurance program could cost more than $100 billion over 10 years. A separate study estimates the economic cost of doing nothing at more than $200 billion.

Keep in mind that most of the 1,400 multiemployer plans that exist are still financially stable and provide lifetime income to millions of retires ensuring they can live out their final years with independence and dignity. About 1.3 million current and future retirees are in danger of losing their earned benefits because their plans face insolvency within the next 10- 20 years and that is why a solution must occur now!

Again, unless we have legislative action – and quickly, the Pension Benefit Guaranty Corporation (PBGC) Multiemployer Insurance Program, which backstops pensions for 10 million people, will run out of money by the end of 2025.

Since the passage of MPRA, almost 4 years ago, 24 multiemployer plans have applied to the Treasury Department (which has authority to implement MPR) to cut their workers and retirees' benefits by as much as 50-70%. There have been 24 applications in all: Five have been rejected; seven have been approved (and Local 805 will make it 8); five are under consideration and the rest have been withdrawn.

We just heard from widow Carol Podesta-Smallen who told us that her plan Teamsters Local 805 Pension plan will mean a cut in her benefits from $2600- $1022. Local 805, just like Ironworkers Local 17 and Ironworkers 16 and the Western States Office and Professional Employees Pension Fund, have approved the cuts in her benefits. Carol and her fellow workers and retirees still have the right to "vote" on the cuts. But if 805 is like most others, even if most of the workers and retirees reject the cuts – the way the vote is structured, if people do not return ballots – causing neither a "yes nor "no vote" these non-returned ballots are counted as a yes vote. This is unfair and one more reason on why MPRA needs to go!

Pat Overstreet, who is the spouse of Walt, told me that her husband's ironworker pension was cut 64% -- from $2,400 a month to $869.00 Out of that, they are paying mounting health insurance costs, they are taking care of Pat's elderly mom, and they are still paying a mortgage and trying to get by. Walt is 68 and figured his pension – after working 35 years as an ironworker building the sky line of Cleveland – would carry him and his family through, but the cuts were a huge breach of promise. Walt can't go back to work, being an ironworker for most of his life, left him with aches and pains throughout his body. Pat says that she and her husband are screaming mad. We have to work with Carol and Pat and Walt and others. This must be a bigger movement!

Now consider this fact: there are about 130 additional plans are eligible to apply to cut their retirees' and workers' benefits by as much as 50-70%. Again, this could affect up to 1.5 million workers and retirees. If Congress doesn't act, more of these plans will apply to cut their retirees' benefits under MPRA, and more plans will be facing insolvency and more employers will be facing bankruptcy.

Finally, I will say this again and again and again: Keep the message on the fact that this is the issue you're voting on. This is about working hard, doing right, meeting your end of the bargain and what you earned fair and square should not be taken away from you. Everyone says they care about the working class. Well, this is the most working class of issues. I know you've been at this for a long time. But this is worth it! Let's keep going team! Kansas City, Kansas City here we go! Let's fight!