Hello everyone. I'm Karen Friedman, the Executive Vice President and Policy Director of the Pension Rights Center. We are a national consumer organization that has been around since 1976, working to promote and improve retirement security for American workers and their families. Thank you to Roy Houseman and the USW for inviting me today. We’ve worked on pension reform issues with USW for years and you are a terrific union!

I’m happy to be here with hundreds of you today on this hot Washington day. But it’s good that it’s hot because that’s what we all should be feeling today, right? Hot to act, hot to fight, and hot to win! Right?

I know that this country is facing huge and unprecedented challenges in retirement and on all labor issues, but I know that if we all work together, and use creative thinking and organizing power, we can overcome some of these challenges in the short-term and long-term.

Before I get into legislative issues, I want to point out that a recent Gallup poll shows that Americans are more worried about not having enough money for retirement than any other economic issue – including paying for health care, their mortgage, or their kids’ education.

Based on urgency of this issue, you’d think policymakers would be doing everything they can to protect pensions and retirement security. But the Pension Rights Center is seeing an assault on retirement security in ways that we have never seen in our 42 years of existence – and I know you’ve seen it too!

Social Security is under attack and there is an ideological attack on state and municipal plans which we can talk about more in the question and answer period.

But today my focus is on the unprecedented attacks on private sector defined benefit plans. As many of you have seen over the past decade, more and more companies have found ways of breaking promises to workers and retirees by dropping good guaranteed pension plans, cutting benefits, freezing plans, and replacing them with 401(k)s.

As bad as these trends have been, at least retirees and workers in company and union pension plans could depend on one thing: while companies could change pension plans for the future, already-earned benefits earned could not be taken away.

That is, until Congress passed a really bad law called the Multiemployer Pension Reform Act (MPRA) in 2014, which allows for the already-earned pensions of retirees and workers to be slashed in certain severely underfunded multiemployer plans. These provisions were inserted... in a last-minute backroom deal...into an end-year spending bill – and this bill had to pass, or the government would have shut down. MPRA guts the fundamental provisions of ERISA, the
federal private pension law. For 40 years, ERISA had the strongest protections for retirees and workers by preventing their pensions from being cut in a multiemployer plan unless a plan totally ran out of money.

However, MPRA reversed ERISA’s protections and allows trustees of certain severely underfunded multiemployer plans to slash retiree benefits 10-20 years before a plan runs out of money. The idea was to allow trustees to balance the books of these plans on the backs of retirees. And this was dreadfully unfair.

Since the passage of this law, almost 4 years ago, 19 multiemployer plans have applied to the Treasury Department, which has authority to implement MPRA, to cut their workers and retirees’ benefits by as much as 50-70%. Five have been rejected; five have been approved, five are under consideration and the rest have been withdrawn. 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%. This could affect up to 1.5 million workers and retirees. This would decimate families across the country…and devastate businesses in local communities that rely on retirees with pension income to buy their goods and services.

That is why the PRC is working with the Steelworkers and other unions and retiree organizations to STOP these cuts. To that end, we support the Butch Lewis Act which was introduced by Senator Sherrod Brown (D-OH) and its House companion bill the “Rehabilitation of Multiemployer Pension Act,” introduced by Congressman Richard Neal (D-MA) 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.

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. The PRA would lend the money for 30 years at low interest rates, around three percent. The 30-year loans would buy time for the pension plans, so they can invest for the long term and survive.

What is the status of the Butch Lewis Act?

There are 22 cosponsors in the Senate and 162 in the House. The Democrats had made passage of the Butch Lewis Act a top priority and they fought for the bill to be included in an early draft of the budget deal.
But the leadership of the majority party did not endorse Butch Lewis as currently drafted. In a last-minute deal, both parties agreed to include language in the budget bill passed in February 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. There are 16 members that were appointed to the Joint Select Committee divided equally between the House and Senate and majority and minority parties. The co-chairs of Joint Select Committee are Senator Orrin Hatch (R-UT) and Senator Sherrod Brown. They have already had three hearings and are expected to have another in June.

All of you should put pressure on the members of the Joint Select 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 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 eventually we worry this could even bleed into efforts for cuts in single employer plans.

Also, there is another related issue on multiemployer plans that you may hear about when you’re on the Hill. We and the USW are urging Congressmembers to oppose the GROW Act introduced by Congressman Phil Roe (R-TN) and Congressman Donald Norcross (D-NJ)

There are a lot of advocates who supported MPRA that are now pushing for plans called “composite plans,” and they want these to be include in multiemployer solutions. PRC, Steelworkers, Boilermakers, AARP, the Western Conference of Teamsters, and a growing coalition, oppose this bill because we feel that rather than protecting the multiemployer system this bill will undermine it.

What the GROW Act does is authorize a new kind of hybrid plan that isn’t a defined benefit plan and isn’t exactly a 401(k), but it’s called a composite plan, and this model is flawed.

This new composite design is created in combination with the existing pension plan (called a legacy plan) like a two-headed monster. Employers won’t be required to increase their contributions, and the same pool of contributions will fund both plans. The composite approach is meant to allow multiemployer plans that are relatively well-funded to run the old legacy plan, and then transition new workers into the composite plan. However, a portion of the contributions that would have gone to the old legacy plan would now be diverted into the composite plan. So, if there’s an investment downturn this would likely leave the old plan underfunded – and this could result in benefit cuts to retirees and workers, under both plans.

Our big concerns: Even plans today that are well-funded or moderately-well-funded could become underfunded and workers and retirees in those plans could be subjected to big benefit cuts. Also, since the new composite plans are not defined benefit plans, they won’t be required
to pay premiums which will put a financial strain on PBGC and put a disproportionate burden on plans that elect to stay in a true defined benefit system. So, we want to OPPOSE composites, which rather than strengthening the multiemployer system -- will actually undermine the system.

So, in closing, the multiemployer issue is an issue about pension promises. Workers and retirees give up wages so that money can be contributed to a pension that is guaranteed for life. Pension promises are about American values. This isn’t a Democratic issue. It’s not a Republican issue. It’s an issue of basic fairness-- it is an American issue. We need to get this message across to policymakers that retirement security should be a top priority – and they should pass Butch Lewis Act.

Thank you for having me today.