

PRC Statement on the Restoring Pension Promises to Workers Act of 2007



At a press conference on Capitol Hill on June 28, 2007, Senator Tom Harkin (D-Iowa) announced the introduction of the Restoring Pension Promises to Workers Act of 2007. Karen Friedman, policy director for the Pension Rights Center, delivered the following statement at the press conference:

“Good morning. I’m Karen Friedman, the Policy Director of the Pension Rights Center, the nation’s only consumer rights organization that works solely to promote and protect the retirement security of workers, retirees and their families.

“Over our 31-year-history, the Center has heard from thousands of individuals from across the country, who have told us about problems they face in getting pensions. We applaud Senator Harkin for introducing the Restoring Pension Promises to All Workers Act of 2007, which is an important start in addressing some of the key inequities affecting employees, retirees and their families.

“Last year, when Congress passed the Pension Protection Act to address underfunded plans, a new problem was already emerging on the horizon. Suddenly, a rash of healthy companies were freezing well-funded plans.

“When Verizon announced its pension freeze, we were barraged with hundreds of e-mails from enraged long-service employees, many of whom were white-

collar mid-level managers who told us that this move would cost them hundreds of thousands of dollars in expected benefits.

“These employees talk about these cut-backs as ‘broken promises’ and ‘pension pay cuts.’ They say they feel betrayed by companies to whom they have given their blood, sweat and tears. Employees like Margo Bryerton of Verizon ask, ‘Why is it that company execs can pay themselves these gargantuan executive compensation plans while our companies freeze or terminate our pensions?’

“Margo notes that Ivan Seidenberg was paid \$15 million in 2006, the year he cut back their pensions. IBM announced its freeze in 2006, and, in the same year, gave its CEO Samuel J. Palmisano more than \$24 million in total compensation. The Hershey Company announced its freeze in October 2006, and CEO Richard H. Lenny made \$11,349,910 in total compensation. HP (Hewlett-Packard) announced its freeze in February 2007. In 2006, CEO Mark V. Hurd made \$24,031,487 in total compensation.

“Senator Harkin’s bill helps stop this practice: if executives want to set up rich executive retirement plans for themselves, then they have to provide a minimal, guaranteed pension plan for their workers. Employees we hear from think this is a fair solution.

“The bill will also would help folks like Kathy Joy Kirkendall, who worked as an engineer with Dresser-Rand, a subsidiary of Halliburton. In 2000, Halliburton sold Dresser-Rand to another company. Kathy and her co-workers kept working at the same jobs, sat at the same desks, and performed the same work in the same office, but, because of corporate restructuring, and a loophole in the law, Kathy and hundreds of other employees lost their promised special early retirement pensions, collectively losing \$25 million in benefits.

“Senator Harkin’s bill would close this loophole, ensuring that employees cannot lose benefits in these types of corporate restructurings.

“Senator Harkin’s bill would also help folks like Ronald Kalstabakken, who is a former rigger with Xcel Energy in Minnesota. Ron retired with a disability pension after a company elevator he was riding in went into freefall, leaving his back and legs permanently injured.

“Ron was getting a \$3500 a month pension when he retired. When he wanted to apply for Social Security, he asked his company if his pension would be reduced as a result. His company said no.

“Ron doublechecked, and again, the company said, ‘Your pension will not be reduced if you get Social Security.’ But, lo and behold, a few years later, the company said, ‘Whoops we made a mistake. We’re reducing your pension to \$1400 a month, and, by the way, you owe us \$25,000 in back payments.’

“Ron says, ‘This has hurt me and my family dramatically. The company is making me pay back \$200 a month, plus my health premiums keep going up, leaving me with a \$494 per month pension. This just isn’t enough to make ends meet.’

“Senator Harkin’s bill would help folks like Ron by ensuring that companies cannot recoup overpayments, if it causes a hardship to employees and the amount is not significant to plan funding. This is a common-sense provision.

“We also support the establishment of an Office of Participant Advocacy, which would be a voice for American workers’ pension interests, similar to the Office of Advocacy in the Small Business Administration or the IRS Taxpayer Advocate Service. It would serve as an ombudsman, representing the interests of workers and retirees in the public policy process.

“At a time when the pension landscape is changing dramatically, there should be an ombudsman office in the federal government whose sole role is to hear from employees and retirees about pension policy issues and advise the Secretaries of Labor and Treasury and the Congress about their concerns.

“Senator Harkin, we thank you for introducing this bill and look forward to working with you and your staff.”