

**Statement of
The United Steel, Paper and Forestry, Rubber,
Manufacturing, Energy, Allied Industrial and Service Workers
International Union (USW)**

On

**‘Strengthening the Multiemployer Pension System: How Will
Proposed Reforms Affect Employers, Workers, and
Retirees?’**

**Before the
Subcommittee on Health, Employment, Labor, and Pensions
Of
Committee on Education and the Workforce
United States House of Representatives**

October 29, 2013

The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW) is North America's largest industrial union representing 1.2 million active and retired members. We are pleased to comment on the subject of today's important hearing, and review our concerns with the committee regarding some of the topics in today's hearing.

Retirement security, or the lack thereof, for a majority of working Americans is an issue that requires serious discussion and the NCCMP should be commended for developing a proposal to begin the process. The US Congress Joint Economic Committee in December of 2012 noted that the Great Recession reduced household net worth as much as 54.4% for 35-44 year olds to 32.6% for near retirees.¹ The failure of individual savings accounts to adequately prepare workers for retirement highlights the importance of maintaining well-run defined benefit plans, including multi-employer pension plans.

While the majority of multi-employer pension plans have weathered the recession as well as can be expected given the economic downturn, some plans face significant financial burdens. The effort by employers, plan trustees and some unions to address the issues within the multi-employer pension system has led to the National Coordinating Committee for Multi-employer Plans' (NCCMP) proposal which is a primary focus of today's hearing.² The NCCMP has produced significant areas of agreement to strengthen the multi-employer pension system and provide innovative

¹ http://www.jec.senate.gov/public/index.cfm?a=Files.Serve&File_id=4bc4e022-4bc8-476c-a91a-268852d8ff0e

² http://webiva-downton.s3.amazonaws.com/71/59/b/39/1/Solutions_Not_Bailouts.pdf

retirement structures for future generations. However, USW has several areas of concern with the proposal.

First, the proposal to raise retirement age to sixty-seven for plans willing to make the change runs counter to our union's efforts to maintain a reasonable retirement age for workers, many of whom work in environments which often require an earlier retirement. There is a reason blue and white collar workers have different actuarial mortality rates. While plans would have the "option" to raise the age, the fiduciary responsibility of plan administrators and trustees will likely force them to make decisions such as raising the retirement age even when plans are not facing an immediate financial burden.

Proposals which lower benefits for existing retirees also deserve significant scrutiny and the NCCMP maximum threshold to lower plan benefits causes significant unease within USW. While USW agrees with NCCMP that the Pension Benefit Guaranty Corporation (PBGC) benefit levels are too low, the NCCMP proposal to cut benefits to as low as 110% of the PBGC level is not the only answer, and not the first one, lawmakers should seek for the retirement security of millions of Americans.

The NCCMP proposal also suggests that PBGC review for approval any proposed multi-employer benefit reduction. If the PBGC fails to act, the proposal would be deemed approved. The process runs counter to the PBGC's mission of protecting and insuring pensions plans so that workers will receive the benefits to which they are

entitled. “Entitled” is the key word in the PBGC’s mission. Workers and retirees have contributed to these plans for decades often by deferring direct wages through collective bargaining for these future benefits. Workers and retirees should be entitled to these earned benefits that were promised and the PBGC should do all that is necessary to preserve benefits.

USW would encourage the Education and Workforce committee to explore additional alternatives other than cutting accrued benefits to multi-employer plans. On June 17, 2013 the AARP submitted a statement to your committee regarding the NCCMP proposal and USW would support many of the proposals in the statement.³ Some of the suggestions such as partition of benefit obligation and availability for the PBGC to access lower lending rates are efforts which the United Steelworkers would support in the drafting of significant changes to the Pension Protection Act.

Finally, while it may not be politically feasible to provide direct federal financial assistance in today’s current political climate, with most seniors living off of a median household income of \$35,107, seniors would likely find any discussion to lower monthly income as significant concern to their well-being. Perhaps “bailing out” those with the least of means is a solution worth exploring.

³ <https://tdu.org/sites/default/files/2AARPStatementOnMulti-EmployerPensionFunds.pdf>