



Pennsylvania Conference of Teamsters

Strength in Numbers 95,000

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LEGISLATIVE ACTION ALERT

Democrats' Coronavirus Relief Plan Could Save The Pensions Of 1 Million People

A politically elusive fix to the multiemployer pension crisis could finally become a reality, protecting retirees from drastic pension cuts.

By Dave Jamieson February 11, 2021 (POLITICO®)

According to an article from POLITICO © retirement experts have been warning for years that more than 1 million workers and retirees could lose their pensions if Congress doesn't act. Now help from Washington might finally arrive, thanks to an unlikely legislative opening provided by the pandemic. Congressional Democrats are moving a \$1.9 trillion coronavirus relief plan through a process known as budget reconciliation, hoping to send it to President Joe Biden's desk this month. A proposal to shore up troubled pension plans and the federal agency that insures them may end up hitching a ride on that package, saving retirees from having their pensions cut. Unions and their Democratic allies have fought for several years to pass such a pension fix, but were blocked by Senate Minority Leader Mitch McConnell (R-Ky.) when he was Senate majority leader. (McConnell and Republicans passed a narrower, bipartisan bill that safeguarded the pensions of coal miners.) Now, however, Democrats control the House and have the barest of majorities in the Senate, with 50 seats and Vice President Kamala Harris available to cast a tie-breaking vote. The reconciliation process would allow Democrats to pass a package in the Senate with a simple majority, avoiding a filibuster that would normally require 60 votes to overcome. The House is already considering the pension proposal in its version of the relief bill. If the Senate includes the measure and it survives under reconciliation rules, a lot of retirees will be celebrating.

The pension funds in trouble are called multiemployer plans. Anywhere from a small handful to hundreds of employers contribute to such plans, with the amounts negotiated through union contracts. The plans are common in fields like construction, trucking and mining, where workers often change employers but take their pensions with them. Although most of the 1,400 such plans out there are fine, around 130 of them have fallen into dire shape, with fewer union employers contributing to them. Those plans cover roughly 1.3 million people, and some are on track to become insolvent within just a few years. Their failure could wreak havoc on the Pension Benefit Guaranty Corporation, the government-run entity that backstops pension benefits.

If the PBGC's insurance program for multiemployer funds went under, retirees and their spouses could end up getting pennies on the dollar for benefits they worked their entire careers for. Some could even fall into poverty. The idea of bailing out pension funds through the coronavirus relief package will certainly draw criticism from Republicans. In a hearing held Wednesday by the House Ways and Means Committee, Rep. Kevin Hern (Okla.) said the proposal doesn't belong in a bill addressing stimulus payments, unemployment benefits and vaccination efforts. "Pensions are part of the security and protection we need as we grow older and retire from the world of work," Davis said. Including the legislation in the relief package "would give assurances to thousands

of retirees that their pension is safe and secure,” he added.

Democrats in the House passed a multiemployer pension bill with some Republican support in 2019 and have been crafting a version they believe complies with the rules of budget reconciliation. The legislation’s main backers include Rep. Bobby Scott, chairman of the House Committee on Education and Labor, and Rep. Richard Neal (Mass.), the Ways and Means chair. The legislation they’re considering now would provide direct assistance, rather than loans, to the troubled plans through the PBGC. The cost of that assistance would be offset somewhat by increases in insurance premiums paid to the PBGC for single-employer pension plans.

The total cost would come to an estimated \$65 billion. Democrats say the plan would secure the pension funds for at least 30 years, preventing cuts to benefits for retirees. Getting such a measure through the Senate would be trickier, but there are reasons for Democrats and unions to be optimistic. For starters, the cost would be lumped into a much larger, nearly \$2 trillion package that voters by and large support. It would also eliminate a political and economic problem that will need to be dealt with soon regardless, due to the scope of the pension crisis. At the current pace, the PBGC projects that its multiemployer program would become insolvent sometime in 2026. If that happened, both Democrats and Republicans would have to answer to working-class constituents whose retirements were being upended. For that reason, moderate Democrats and even some Republicans who’ve fretted over the price tag of the relief package might choose not to stand in the way of a pension rescue.

Democrats argue that not reinforcing the funds will come with its own financial costs down the road when the government has to support those pensioners through social assistance programs. Pension payments are also taxed. Citing an estimate from a trade group for

multiemployer plans, Scott’s office said a failure of the plans could cost \$170 billion over 10 years due to lost tax revenue and spending through programs like housing and food assistance. “We can protect retirees’ hard-earned pensions and spare folks a lot of harm, or we can kick the can further down the road and end up costing the taxpayers far more in the long run,” Scott told HuffPost through a spokesperson. A White House spokesperson did not immediately respond Thursday when asked if Biden would support the inclusion of the multiemployer legislation in the coronavirus relief package. Still, it is hard to see Biden opposing it if the measure draws enough support in the Senate and passes muster with the Senate parliamentarian, who interprets the rules under budget reconciliation.

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The benefits included in multiemployer plans tend to be modest and are often crucial to recipients’ ability to cover their basic living expenses. The average annual benefit in the Teamsters’ Central States plan — the largest multiemployer plan in trouble, with some 400,000 participants — is around \$15,000. Because those pensions were negotiated as part of contracts, workers essentially forwent pay under the expectation the pensions would be there later. One of the main reasons that particular Teamsters plan is in such rough shape is the decline of unions in the trucking industry. In 1982, the pension plan had two active participants for every inactive one drawing benefits. But now there are five people drawing benefits for every active participant, causing the fund to run out of money. Dale Hanner, a former diesel mechanic and Teamster, told HuffPost in 2019 that he knew of one woman who relied on the \$385 per month from her pension to buy insulin. “This is going to devastate people,” Hanner said of the looming insolvency. “It’s going to put them in survival mode, and I don’t think Congress understands that.”

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