When it Comes to Pensions, Doing Nothing is Not an Option

By Randy G. DeFrehn

As a long time AARP member and advocate for retirement security, I have always been impressed by and supported the organization's strong defense of its members' economic well-being and its ability to explain those often complex issues in plain language without being unduly alarmist.

That opinion changed, however, when I read the column titled "Protect Our Earned Pensions" by A. Barry Rand, CEO, published in the Huffington Post. In it, Mr. Rand rightly describes the important role that multiemployer pensions play in the lives and businesses of more than 10 million workers and employers; however, he is off the mark when he writes that one proposal under consideration by Congress regarding multiemployer plans would "back out on promises made to retirees." What Mr. Rand doesn't say, and what everyone should know is, if we do nothing, these pensions will be at greater risk of deeper cuts. Under current law, retirees are faced with the prospect of seeing their hard-earned pensions vanish with no recourse and no tools to salvage their retirement if their plans falter. Some could see a 63 percent drop in monthly benefits if we don't reform the law.

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The reform plan under consideration, "Solutions Not Bailouts," is designed to "save distressed plans from insolvency," but does so by giving retirees and trustees the tools to prevent catastrophic losses and better prepare for the future. Not only is this proposal not an attack on pensions, it has been carefully crafted with input from both labor and business to preserve higher benefits than available under existing law for participants of many plans projected to become insolvent.

Under the Solutions Not Bailouts reforms, current and future retirees would fare much better than they would under existing law. Congress has the opportunity and the responsibility to provide solutions before these pension plans become a crisis. We can help ourselves before it's too late if we are given the flexibility to find workable solutions tailored to each pension plan. Doing nothing will ensure future retirees will have nothing for retirement.

The Pension Benefit Guaranty Corporation (PBGC) multiemployer guaranty fund is the backstop for multiemployer defined benefit plans that become insolvent. When that occurs, current law requires plan trustees to reduce benefits dramatically and automatically. For many multiemployer plan participants, the maximum benefit under PBGC will amount to only a fraction of current benefits. That means that a worker who retires after 35 years and earned $2,000 per month or more could end up with little more than $1,000. The current law doesn't distinguish between participants who have already retired, or are yet to retire. Making matters worse, without Congressional action, the PBGC's multiemployer guaranty fund itself will become insolvent -- which could mean even more drastic reductions in the monthly benefits. No one can predict the future, but what is certain is that neither current nor future retirees should have to depend on a government program whose survival is in question. Solutions Not Bailouts prevents troubled plans from insolvency and from relying on the PBGC.

"Solutions Not Bailouts" is currently the only proposed solution that takes steps to prevent these catastrophes. It was developed by a broad cross-section of union and management representatives and other stakeholders from more than 40 organizations across the multiemployer community. The proposal was the result of 18 months of studying plans, their challenges and ways to preserve regular monthly retirement income. The tools for plans facing insolvency is just one of three broad categories of recommendations put forth to strengthen, preserve and grow these vital plans for all generations of retirees.

The last thing anyone wants is for pension benefits that have been negotiated -- for which wage increases were foregone, and that elderly workers depend on for survival -- to be reduced. Nevertheless, the reality is that without prompt Congressional action, hundreds of thousands of participants of insolvent plans are virtually certain to have their benefits reduced dramatically. Rather than categorically object to any proposal which challenges the status quo without offering a viable alternative proposal, our fellow AARP members would be better served by thoughtful consideration of a proposal which yields higher benefits for retirees than the current system will and does so without favoring one generation of pensioner at the expense of another.

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