

US government, corporations preparing new offensive against workers' pensions

Jerry White

20 November 2014

The release of the annual report of the US Pension Benefits Guaranty Corporation (PBGC) is being seized upon by the media and politicians of both parties to press for a new round of devastating cuts to pension benefits for tens of millions of retired industrial and other private-sector workers.

The PBGC is the government insurer for 24,000 defined benefit pension plans, which cover more than 41 million workers, retirees and their dependents. On Monday, the government-backed corporation released a report showing that the long-term projected deficit of its multiemployer program rose by \$34 billion in fiscal year 2014 to a record \$42 billion. This was largely due to potential losses from shoring up two large pension funds that could become insolvent in the next decade.

Although they were not named in the report, the two funds are reportedly the Teamsters Central States fund and the United Mine Workers fund, which together cover some 10 million current and retired workers. The precarious position of the funds, which are jointly administered by the two unions and trucking and mining companies, is due to the wiping out of hundreds of thousands of jobs, which has left many companies with more retirees than active workers. The pension funds were also hit by stock market losses.

The *Washington Post* and *Wall Street Journal* zeroed in on a single paragraph in the report warning that the PBGC could go broke over the next eight years if the current rate of premium payments from corporations continues. The “risk of insolvency” would rise over time, the report said, “exceeding 50 percent in 2022 and reaching 90 percent by 2025.” It added, “When the program becomes insolvent, PBGC will be unable to provide financial assistance to pay guaranteed benefits in insolvent plans.”

Nowhere in the media or political commentary on the report was there any suggestion that the government should carry out a Wall Street-style bailout of the pension insurer. The *Post* noted that such a bailout was a “political non-starter” in Washington.

Nor was there any suggestion that Congress should mandate a major increase in contributions from the big corporations, which have extracted billions from the labor of workers while deliberately diverting funds from their pension plans and

keeping them chronically underfunded.

Instead, in the name of “saving” the pensions, the capitalist media is demanding savage cuts in the workers’ benefits.

The *Wall Street Journal* wrote Tuesday that any solution to the agency’s “long-running problems” would likely include “sharp benefit cuts for the plans.” The *Post* concurred on the same day, saying, “Unless Congress makes changes, which could include raising insurance premiums for multiemployer plans or the controversial move of allowing for preemptive pension cuts in struggling plans,” the PBGC will go bankrupt.

One proposal, cited approvingly by the *Wall Street Journal*, came from the Center for Retirement Research at Boston College. A 30 percent benefit cut on average for current retirees, the report said, would allow the Teamsters plan “to remain solvent indefinitely and increase the aggregate welfare of plan participants.”

Leading Democrats and Republicans added their voices to the choir demanding action.

The annual report was “a sober reminder that time is running out” said Congressman John Kline (Republican from Minnesota), chairman of the House Committee on Education and the Workforce. The multiemployer pension system “is a ticking time bomb that will inflict a lot of pain on workers, employers, taxpayers and retirees if Congress fails to act,” he added.

Senate Finance Committee leaders Ron Wyden (Democrat from Oregon) and Orrin Hatch (Republican from Utah) issued a joint statement saying they remained “very concerned” about the multiemployer system.

As usual, the trade unions are willing accomplices in the crime being prepared against the working class. According to the *Washington Post*, “A coalition of unions and businesses has been pushing for reforms, including more flexible coverage structures and pension cuts in financially struggling plans.”

Last year, “a commission made up of representatives from employer and labor organizations,” the *Wall Street Journal* reported, issued a proposal “that would include the extreme step of cutting pension benefits for some current retirees in the most troubled plans.”

One such joint labor-management body is the National Coordinating Committee for Multiemployer Plans, which

includes the presidents of the Teamsters, the AFL-CIO's construction trades, the Service Employees International Union (SEIU), and the United Food and Commercial Workers (UFCW). It has called for congressional action, warning that employers planned to exit the system and "leave retirees behind."

The union executives could care less about their retired members. These unions have spent decades collaborating in gutting pension benefits in order to boost the corporations' profits. The threatened liquidation of multibillion-dollar pension investment funds, however, threatens the income and portfolios of the aspiring capitalists who control the unions.

There is an element of deliberate crisis mongering in the PBGC report. The shaky position of the agency has long been known and nothing has been done about it.

Over the last three decades, more and more corporations have jettisoned their employer-paid plans—one of the most important gains won by the working class in the mass industrial battles of the 1930s, 1940s and 1950s. All but a few have forced current workers onto employee-paid 401(K) plans subject to the vagaries of the stock market.

Earlier this year, aerospace and defense giant Boeing worked in tandem with the International Association of Machinists (IAM) to force 33,000 IAM workers onto 401 (K) plans. The company's top executive, Jim McNerney, has a special retirement plan valued at \$42 million, which will provide him with over \$270,000 *per month* after he quits.

It has long been a standard business practice for American corporations to dump their pension obligations onto the PBGC through bankruptcy. Since Congress established the PBGC as part of the 1975 Employee Retirement Income Security Act (ERISA), the government-backed corporation has paid out billions to cover pension plans terminated by giant corporations, particularly in the steel and airline industries.

As millions of workers know through painful, first-hand experience, when the PBGC takes over an insolvent fund, the workers are hit with brutal benefit cuts. Congress limits the amount the agency can pay to retirees to less than \$13,000 a year, effectively condemning the workers to poverty. A worker with a very modest annual pension of \$20,000 after 30 years of labor stands to lose more than \$7,000 a year—a cut of over 35 percent.

The decks are being cleared for the next stage in the relentless, bipartisan assault on the working class. Private-sector pensions will be targeted along with other supposed "ticking bombs" such as Social Security, Medicare and public-sector pensions.

The nationwide offensive against the pensions of state and municipal workers has already been launched with precedent-setting rulings by federal bankruptcy judges in Detroit and Stockton, California declaring null and void provisions of state constitutions guaranteeing the pension benefits of public employees.

Last week, a federal bankruptcy judge gave final approval to the Detroit bankruptcy settlement, which imposes huge cuts in the pensions and health benefits of retired city workers and imposes 401(k) plans on active workers. This week, the PBGC report has signaled the widening of the attack to include the private sector.

The official justification is the claim that society simply cannot afford to keep the "overgenerous promises" made to workers in an earlier, more prosperous period. The situation is supposedly made worse by the problem of workers living too long after retirement and imposing an unsustainable burden on the rest of the population.

These are self-serving lies pumped out by the ruling class through its political servants and media apologists. Since the financial crash of 2008, the Obama administration's pro-business policies of bank bailouts, virtually free money for the banks from the Federal Reserve, wage and benefit cuts for auto workers, corporate tax cuts and deregulation have transferred trillions from the working class to the super-rich.

The share of the gross domestic product going to corporate profits is at the highest level since World War II, while the share going to workers' wages is at the lowest. American corporations are sitting on an estimated cash hoard of \$1.5 trillion and using it for stock buybacks, executive bonuses and mergers and acquisitions that are occurring at their most frenzied pace since 2007.

The total \$60 billion deficit of the PBGC could be wiped out overnight by using only a portion of the \$360 billion being hoarded by tech giants Google, Apple, Cisco and Microsoft, or employing one-tenth of the annual Pentagon budget.

Instead, the financial oligarchy that controls the economy and both big-business parties is determined to steal the pensions that tens of millions need to survive and return workers to the dark days when they labored without end until they died.



To contact the WSWs and the
Socialist Equality Party visit:

wsws.org/contact