US Congress to vote on union-backed plan to cut workers' pensions

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A bipartisan proposal has been added to the US government funding bill now before Congress that would end 40 years of federal law and sanction the reduction of pension payments to millions of retired truckers, coal miners, supermarket, construction workers and other private sector workers.

The measure would free employers and unions, which jointly administer so-called multi-employer defined benefit pension plans, such as the Teamsters Central States and United Mine Workers funds, to "adjust" benefits, which active and retired workers have accrued and up to now could not legally be cut.

Randy Frehn, executive director of the National Coordinating Committee for Multiemployer Plans (NCCMP), which served as a consultant on the legislation, told the *Washington Post*, "We have plans where a 10 percent cut will be enough" to keep them solvent. In some cases, however, "cuts as high as 30 percent may be necessary," the newspaper reported. This is a huge reduction in the already meager pension checks owed to an estimated 10 million active and retired workers or their widows.

The congressmen who drafted the amendment—long time liberal stalwart George Miller (Democrat-California) and conservative John Kline (Republican-Minnesota)—have packaged it as means to "save" the funds, which, they say, could run out of money over the next 15-20 years because of supposedly unsustainable payouts.

The failure of these funds, they claim, would trigger the collapse of the Pension Benefit Guaranty Corporation (PBGC), endangering the pensions of 41 million workers, retirees and their dependents, which the federal agency insures. "We have to do something to allow these plans to make the corrections and adjustments they need to keep these plans viable," Miller told the *Post.* Opponents say the managers of the employer-union funds have exaggerated the state of the pension funds, and the amendment was added at the last minute to the $1.1 trillion omnibus spending bill to prevent any debate.

Joyce Rogers, a senior vice president for American Association of Retired Persons (AARP), said in a statement: "After a lifetime of hard work to earn their pensions, retirees don't deserve to receive a bad deal, in which they have had no say, cut behind closed doors and excluding the very people who would be impacted the most."

Major US corporations, especially in the steel and airline industries, have long used the federal bankruptcy courts to escape pension obligations owed to millions of workers. Companies like United Airlines, US Airways, LTV Steel and Kaiser Aluminum dumped their plans onto the PBGB. In many cases the pension plans were deeply under-funded after years in which top executives siphoned off pension money including for their own multi-million dollar retirement plans. Retirees owed $30,000 or more a year in pension benefits were then instantly tossed into poverty, since the PBGC is limited to paying at most $13,000 a year.

Under the federal Employee Retirement Income Security Act (ERISA) of 1974, defined benefit plans have been allowed to change the rate at which a worker earns future benefits but cannot reduce the amount of benefits a worker or retiree has already accumulated. The new legislative language will allow preemptive cuts in payments from still-solvent pension funds which claim they are in "critical status."

The attack on private sector pensions takes place as millions of teachers, firefighters and other public sector retirees face the first-ever cuts to their own retirement benefits. Backed by the Obama administration, federal judges overseeing bankruptcy proceedings in Detroit and Stockton, California, have approved pension cuts despite explicit provisions in state constitutions prohibiting the “impairment” of accrued benefits.

In Detroit, the American Federation of State, County and Municipal Employees (AFSCME) and the United Auto Workers agreed to a restructuring plan that will slash pension and health care benefits to more than 33,000 retired and active workers.

The Miller-Kline amendment was drawn up based on proposals by the NCCMP, a joint labor-management body, which includes the presidents of the Teamsters, the Service Employees International Union, the United Food and Commercial Workers and several construction trades unions.

In a letter sent to senators this week, the NCCMP said it strongly supported the bipartisan agreement to “implement key provisions of the Solutions Not Bailouts proposal,” which the coalition of 40 labor and management groups issued in February 2013. The proposal “puts the plans recovering from the economic downturn on firmer ground, and helps those plans – and retirees – in trouble avoid losing everything” while “avoiding a massive taxpayer-funded bailout that would cost billions.”

The letter denounced the AARP and other pension rights organizations for saying the proposals “take benefits away from retirees” when the “hard truth is that the retirees in troubled plans are going to lose benefits under current law, and these vital reforms will preserve benefits above what current law provides.” It continues, “These reforms will provide the trustees with the option of voluntarily adopting a 10% benefit reduction today, which would prevent the looming catastrophe. This is what we mean when we say that the proposal preserves benefits.”

Addressing the charge that the “bipartisan agreement … has been rushed through and debated in secret,” the letter says for nearly five years, “we have worked with both labor and business stakeholders, and importantly, Members of Congress, to debate and act on the provisions of the Solutions Not Bailouts … The time for debate is over. Now is time for action.”

As they have for decades, the trade unions act not on behalf of workers and retirees but of the corporations, which are seeking to boost their profits by slashing their “legacy” costs and transferring even more wealth from the working class to top executives and financial investors. Over the last two decades in particular, the multi-billion-dollar pension and retiree health care funds managed by the unions have become an essential source of income and investment opportunities for the business executives who run the unions. This has enabled them to prosper even as they have overseen the destruction of millions of jobs and the slashing of the wages and benefits of the workers they claim to represent.

Last month, the release of the annual report on the financial status of the PBGC was seized upon by politicians of both parties and the media, including the *Wall Street Journa* l and the *Washington Post*, to press for a new round of devastating cuts to pension benefits. (See: “US government, corporations preparing new offensive against workers’ pensions”

Nowhere in the media or political commentary on the so-called pension crisis is there any suggestion that the government should carry out a Wall Street-style bailout of the pension insurer. Nor are there any proposals from Congress to mandate a major increase in contributions from the big corporations, which have made trillions from the labor of generations of workers they now want to throw into destitution.

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.

The Obama administration and both big business parties claim society simply cannot afford to keep the “overgenerous promises” made to workers in an earlier, more prosperous period. They also complain that workers are living too long after retirement and imposing an unsustainable burden on the rest of the population.

This takes place as government turns over trillions in bank bailouts, corporate tax cuts, and virtually free money for the banks from the Federal Reserve that have fueled record corporate profits and the stock market bubble.

As the WSWS noted last month, “the financial oligarchy that controls the economy and both big-business parties are 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.”