Letter to the House and Senate on the Unacceptable Plan for Pensions

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December 3, 2014

Dear Representative:

On behalf of AARP's nearly 38 million members, we urge that you do not adopt as part of year-end spending legislation a proposal that impairs a fundamental tenet of pension law and permits multiemployer pension plans to cut the earned and vested pension benefits of current retirees. Making significant and far-reaching changes to pension law without scrutiny of the legislative proposal and with no opportunity for debate or amendment is unacceptable. This is all the more true given that the proposal may result in a significant reduction in the modest income of millions of retirees. We urge Congress to instead consider all possible alternatives, and to allow time for adequate debate that can produce a fair and reasonable solution to the funding challenges facing a handful of multiemployer plans.

Currently, most multiemployer pension plans are well-funded and able to pay promised benefits in full. But, a small percentage of multiemployer pension plans are seriously underfunded and as a result are facing eventual insolvency and employer withdrawals. If this happens, both active workers and current retirees will lose a significant portion of their accrued benefits, and the PBGC's multiemployer guaranty program, which is itself underfunded, will come under significant financial pressure. To avoid these outcomes, a proposal to save troubled plans has emerged that would broadly end fundamental and longstanding legal protections and permit cuts to retiree pensions, even if a pension plan is not facing immediate insolvency.

The lengthy and complex proposal has not been introduced, the legislation has not been considered by any committee or subject to a hearing, the language has not been reviewed by members of Congress, and the public and those retirees who will be affected have had no opportunity to consider the impact of the legislation. Yet, the proposal may be attached to the fiscal year 2015 omnibus and enacted without further scrutiny.

Permitting plans to break the fundamental requirement of the Employee Retirement Income Security Act (ERISA) -- that plans must honor pension promises for benefits already earned and vested -- not only would hurt retirees, it would also significantly weaken ERISA and set an undesirable precedent. This precedent could have a detrimental impact on other earned pensions, and the overall retirement income security of the nation. Certainly, Congress should not permit such a significant proposal to be adopted in the remaining days of the 113th Congress, without the public scrutiny and broad debate that such a significant proposal deserves.

We urge Congress to reject efforts to overturn four decades of established protections under ERISA that guard the earned and vested pensions of current retirees. Instead, we urge the next Congress to consider other reasonable alternatives, and to first require the key stakeholders to take every possible action permitted under current law to restore their plans to solvency, before demanding reductions in the pensions of current retirees. If you have any questions, please feel free to contact Cristina Martin Firvida of our Government Affairs staff at xxx-xxx-xxxx.

Sincerely,
Joyce A. Rogers
Senior Vice President
Government Affairs
