COMMITTEE ON EDUCATION AND THE WORKFORCE

COMMITTEE STATEMENT

Opening Statement by Rep. Tim Walberg (R-MI)
Chairman, Subcommittee on Health, Employment, Labor, and Pensions
Hearing on "Financial Challenges Facing the Pension Benefit Guaranty Corporation: Implications for Pension Plans, Workers, and Retirees"

George Miller was a liberal lion of this Committee. While we very often disagreed, I admired his commitment to ensuring Americans have the ability to retire with dignity.

In 2014, he worked with John Kline, then our Chairman, to try to solve a real problem: a retirement system on the brink of collapse. They put politics aside, worked with employers and labor unions, and negotiated a set of reforms to the multiemployer pension system in order to preserve benefits for millions of workers. President Obama signed this bipartisan approach into law in 2014.

The law was based on the premise that the plan trustees who have a legal and moral obligation to pensioners and workers should have the ability to take early action in order to avoid disaster.

While the 2014 statute was an important step, regulations written by President Obama's Treasury Department implementing the law made it difficult if not impossible for trustees to use the tools the law contains. And so, the problems continue. We know they persist because the Pension Benefit Guaranty Corporation, the backstop for private defined benefit plans, released its annual report two weeks ago. According to PBGC, more than 100 multiemployer plans are expected to fail, in addition to the 72 that already have.

This kind of widespread collapse will directly impact the millions of workers, retirees, and their families who spent their careers planning their retirement with these promised pension benefits in mind. And who promised these benefits? Unions and employers who established and administered these plans. The federal government and non-union workers had no role in negotiating the contracts that made the promises that will be broken. Mr. Miller, when he chaired this Committee, recognized this. That's why this Committee, under his leadership in 2009, refused to advance a legislative proposal to put taxpayers on the hook for these promises.

Implementation of the 2014 law has been ineffective, and the workers and retirees in these plans are worse off because of it. When their plans fail, their benefits will be cut, in many cases significantly. And when these retirement systems fail, the PBGC will collapse as well.

The agency's multiemployer insurance program currently has about $2 billion in assets, receives less than $300 million in premium revenue annually, and has a long term deficit of $65.1 billion. Again, that's $65 billion. When the money runs out, likely sometime in 2025, pensioners will receive pennies on the dollar of what they were promised. Employers will close their doors, and previously healthy plans may go bankrupt.

Congress took bipartisan action just three years ago to prevent this looming disaster. We believe the Trump administration will work hard to ensure the law's tools are utilized more appropriately. But if Congress is to consider further reforms, it's critical that the Committee fully understand the scope of the financial challenges facing PBGC.

Today's witness, Tom Reeder, is the PBGC's director. He administers not just the multiemployer insurance program, but also the agency's very large insurance program for single-employer defined benefit plans. While the finances of that program are trending upward, it is still underfunded by nearly $11 billion. That program insures more than 27 million Americans in more than 22,000 pension plans. We look forward to examining that program in today's hearing as well.

There are no easy answers to these problems. We owe it to workers, retirees, employers and taxpayers to put politics aside and work toward finding a fiscally responsible, bipartisan solution. Millions of Americans are counting on us.

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