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SERVICE EMPLOYEES
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Dear Member of Congress:

On behalf of the two million members of the Service Employees International Union (SEIU), over 400,000 health care workers, janitors and others with multi-employer pensions, I am writing to express our support for the recently announced bipartisan legislation to reform the funding rules for multi-employer pension funds. While imperfect, this legislation is necessary to secure the pensions of those in distressed funds while at the same time preventing the insolvency of the Pension Benefit Guarantee Corporation (PBGC) itself.

The multi-employer pension system helps to provide lifetime retirement income to more than ten million workers and their families. The unions that sponsor these funds along with participating employers have worked hard to make the system work so that its participants and beneficiaries can retire with dignity.

However, changes in demographics, the economy and regulation, exacerbated by the 2008 financial crisis and its aftermath, have led to some plans facing deep distress, including the risk of insolvency. According to the PBGC, such plans have approximately 1.5 million participants. While most of the system is recovering from the historic market losses of 2008, with a combination of increased contributions and diminished future benefits, these deeply distressed plans are likely to fail without Congressional action, and their failure would lead to the insolvency of the PBGC itself. This legislation is needed to address these critical challenges facing this system.

The bill does three main things. First, it allows deeply distressed plans that are in danger of insolvency to take steps to avoid insolvency, including cutting benefits for active, vested and retired participants. Under the bill, cuts would be restricted to no more than necessary to secure the fund's solvency, and no less than 110% of the benefits that the PBGC would otherwise pay. Next, the legislation will provide the PBGC expanded authority to partition off the distressed parts of multi-employer plans from the healthy parts outside of the bankruptcy process. This expanded partition authority will enable the PBGC to rescue a subset of funds that cannot avail themselves of the reduction in benefits because existing benefits are below the threshold of 110% of the PBGC maximum. Finally, this legislation pays for the PBGC's existing and newly-created obligations under the legislation with an increase in PBGC premiums.

This legislation provides a needed solution to address the 1.5 million participants with deeply distressed pension plans. Without action, deeply distressed plans will become insolvent, which will bankrupt the PBGC. In such a circumstance, providing public support to address the insolvency would be difficult to achieve, and we fear would come at the cost of eliminating defined benefits from the multi-employer system going forward, which would potentially have a direct impact on millions of participants. While we understand the concerns that many have raised about the cuts in retiree benefits, this legislation will allow over a million retirees to collect *more* money from their pensions than if their pension plans were to be taken over by the PBGC. Participants in plans that have been taken over by the

PBGC have seen their pensions reduced, in some cases by huge amounts, to the PBGC maximum. The current anti-cutback rule in ERISA does not prevent pension cutbacks in funds that are taken over by the PBGC – it prevents pension funds themselves from cutting accrued benefits, but that protection is rendered meaningless if the PBGC takes over the pension fund. Once the PBGC takes over, any benefit over the PBGC maximum (currently under $13,000/year) are cut back to that PBGC limit. The best outcome would be if there did not have to be any cutbacks, but an insolvent fund cannot pay full benefits.

We note that, while we recognize the need to increase PBGC premiums in order to fund the PBGC's existing obligations as well as the new obligations this legislation will create through the expanded partition authority it grants to the PBGC, the proposed increase is still substantial. These premium increases will not be easy for the pension funds we sponsor to swallow, but, again, we are willing to contribute our share for the greater good of the overall multi-employer defined benefit system We would have preferred that the total PBGC premium contribution for pension funds be capped at 30% of the fund's total annual pension contribution, since it is unsustainable for a pension fund to pay more than that amount for PBGC insurance, but we support this legislation and will work for future congressional action to correct this oversight.

While imperfect, SEIU supports this legislation because it will help preserve and protect the multi-employer defined benefit pension system for our members and all of the system's participants for years to come. Failure to pass this legislation now will jeopardize the future of this system, and will increase the eventual cost for our members, our employers, and potentially for taxpayers. We urge you to support this bill now, and support future legislation that includes the reasonable cap we have proposed on PBGC premium payments.

Sincerely,

Mary Kay Henry
International President

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