Congress could soon allow pension plans to cut benefits for current retirees (GREAT QUOTE FROM TOM ON PENSIONS IN THE WASH POST TODAY)

By Michael A. Fletcher December 3 at 9:38 PM

Congress could soon allow the benefits of current retirees to be cut as part of an agreement to address the fiscal distress confronting some of the nation's 1,400 multi-employer pension plans.

Several unions and pension advocates opposing the move, which would be unprecedented, say that permitting financially strapped plans to cut retiree benefits would violate the central promise of traditional pensions: that they would provide a defined benefit for life.

"This proposal would devastate retirees and their surviving spouses," said Karen Friedman, executive vice president of the Pension Rights Center, a nonprofit group. "The proposal would also torpedo basic protections of the federal private pension law . . . that states that once benefits are earned, they can't be cut back."

Several of the nation's large multi-employer pension plans are on a course that would leave them insolvent within a decade. If that occurred, the federal insurance fund that protects the retirement benefits of more than 10 million Americans in multi-employer plans could collapse.

In a proposal made more than a year ago, a coalition of plan trustees and unions said the only way to salvage the most distressed pension plans without a government bailout is to allow them to cut retirement benefits before they run out of money. The reductions would be voted on by the trustees of individual plans, as well as retirees, under proposals being negotiated by lawmakers. Advocates point out that the plan laid out by the coalition would leave pensioners in distressed plans with more than what they would receive from government pension insurance if their plans failed.

“The plans that are headed for insolvency would have benefit cuts under existing law,” said Randy G. DeFrehn, executive director of the National Coordinating Committee on Multiemployer Plans. “At least this proposal would preserve benefits above existing law.”

In recent weeks, negotiations over the proposal have heated up on Capitol Hill. Still, some key elements are unresolved, including a way to satisfy objections from United Parcel Service, which withdrew from one of the most distressed plans in 2007 but would be on the hook to make up for any pension cuts affecting its retirees.

If those details can be ironed out, congressional aides said an agreement is possible before the current session of Congress ends this month.

“Members are still discussing the details about a possible legislative solution to the multiemployer pension crisis and remain hopeful Congress will act before the end of the year,” said a bipartisan statement for the House Committee on Education and the Workforce. “Any decisions regarding how a possible solution might move through the legislative process will be made by leadership at the appropriate time.”

Multi-employer plans are formed by businesses and unions that join forces to provide pension coverage for working-class Americans, from truck drivers to grocery store clerks and construction workers.

Their finances have suffered over the past decade in large part because of stock market plunges and a decline in employment and union membership, leaving the plans with a growing proportion of retirees to current workers.

Employees covered by the plan are part of a diminishing share of private-sector workers who are still covered by pensions that pay them a fixed percentage of their pay for the rest of their lives. The idea of allowing cuts to benefits now being paid to retirees is supported by some unions, even as it is adamantly opposed by others.

“This is nothing less than a declaration of war by Congress on American retirees,” said R. Thomas Buffenbarger, international president of the International Association of Machinists and Aerospace Workers. “Allowing cuts to existing retirees’ pensions is simply the wrong way to address the problems of a few troubled pension plans. . . . The long-standing promise of a secure pension system must not be overturned by unaccountable lawmakers in a lame-duck session of Congress.”

Since 1974, the federal law governing the nation’s private-sector pensions has prohibited cuts to the benefits of workers who have already retired — a precedent that is now endangered.

Opponents have accused Congress of negotiating the deal “behind closed doors.” Also, while the general proposal has been aired in legislative hearings, they say the specific legislation now being hammered out has not.

“Retirees, most of whom are living on modest incomes, have few alternatives and no ability to plan for or absorb cuts in their benefits,” said Joyce Rogers, senior vice president of government affairs for AARP, the lobbying group for older Americans. “Before demanding reductions in the pension income of current retirees, Congress should first require the key stakeholders to take every possible action permitted under current law to restore their plans to solvency.”