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NEWS >>

TEAMSTERS STRONGLY OPPOSE NEW HOUSE 'COMPOSITE' PENSION LEGISLATION

Union Says Proposed Funding Changes Would Jeopardize Retirement Security

The Teamsters are calling on the House Education & Workforce Committee to go back to the drawing board rather than move forward with newly proposed legislation that changes pension funding rules to create “composite” multiemployer plans, saying they are a bum deal for both active participants and retirees.

The bill, sponsored by committee Chairman John Kline (R-Minn.), was the subject of a hearing by the House panel today. It would allow traditionally defined benefit pension plans to transition to a composite plan, which would split retirement contributions between the existing legacy plan and the new composite plan.

The result would be significantly reduced contributions to the legacy plan. Under the proposal, such plans are permitted to refinance plan liabilities and pay them off over 25 years, about double the time permitted under current law. The legislation would create two underfunded plans for workers. The same market forces facing legacy plans would create funding shortfalls for composite plans, forcing plans to either increase contributions, or probably more likely, deeply cut benefits.

“While action is needed to ensure retirement security for hard-working Teamsters and others who have paid into these plans for years, this is simply not the right fix,” Teamsters General President Jim Hoffa said. “This legislation provides inadequate funding for composite plans and weakens the funding base for existing plans. That’s not going to help workers or retirees.”

Beyond the issue of inadequate contributions, the proposed legislation is flawed because composite plans are not protected by the Pension Benefit Guaranty Corporation (PBGC), which insures pension benefits. Such pension changes would also have the effect of reducing PBGC premium contributions dramatically, further depleting its already limited funds.

Taken together, this legislation is a significant departure from retiree protections granted under the Employee Retirement Security Act and it lacks even the weak procedural protections for plan participants offered in Multi-Employer Pension Reform Act language enacted in 2014.

The Teamsters appreciate the committee holding this hearing. The millions of workers whose retirement is at stake deserve a fair, thorough and open process to address these looming challenges. But given the serious ramifications for worker and retiree retirement security, Congress should not act on such a complex and consequential proposal in the short time remaining this year.

Founded in 1903, the International Brotherhood of Teamsters represents 1.4 million hardworking men and women throughout the United States, Canada and Puerto Rico. An affiliate of the International Brotherhood of Teamsters, Teamsters Joint Council 25 is America’s premier labor union for Chicago, Illinois and northwest Indiana.