**UFCW Legislative and Political Action Department**

# ALERT

Legislative Alert #157 June 21, 2006

## NEGOTIATIONS ON PENSION REFORM COMING TO END

## IT'S TIME TO WRITE THE CONFEREES NOW!

The House and Senate Conferees are back at work at resolving differences between the two pension reform bills. It is critical that we write them during the final deliberations to express our opinions on how to resolve differences between the bills.

Attached is a sample letter that we need your **Local President** to send today. It is imperative that local leadership or your pension trustees, forward this letter to the House and Senate conferees as well as to your Members of Congress.

Below you will find a list of the Conferees.

SENATE:

Max Baucus (D-MT)
Jeff Bingaman (D-NM)
Kent Conrad (D-ND)
Mike DeWine (R-OH)
Michael Enzi (R-WY)
Charles Grassley (R-IA)
Judd Gregg (R-NH)
Tom Harkin (D-IA)
Orrin Hatch (R-UT)
Johnny Isakson (R-GA)
Edward Kennedy (D-MA)
Trent Lott (R-MS)
Barbara Mikulski (D-MD)
John Rockefeller (D-WV)
Rick Santorum (R-PA)
Olympia Snowe (R-ME)

HOUSE:

Robert E. Andrews (D-NJ)
John A. Boehner (R-OH)
Dave Camp (R-MI)
Sam Johnson (R-TX)
John Kline (R-MN)
Howard McKeon (R-CA)
George Miller (D-CA)
Donald M. Payne (D-NJ)
Charles B. Rangel (D-NY)
William M. Thomas (R-CA)
Patrick J. Tiberi (R-OH)

**Please have your Local President send the attached letter immediately.**

**Joseph T. Hansen**
International President

**Anthony M. Perrone**
International Secretary-Treasurer

**Michael J. Wilson**
International Vice President
Director, Legislative and Political Action Department

[Today's Date]

Dear _____:

As the Conference Committee on Pension Reform continues its deliberations, I would like to express my gratitude on behalf of Local ___ of the United Food and Commercial Workers International Union for your continued leadership with respect to the matter of multiemployer pension reform and wanted to repeat our support for some of the more courageous initiatives contained in the House and Senate proposals. As you know, the "shared pain" proposals that have been carefully negotiated and refined over the last two years by the labor and employer members of the Multiemployer Pension Plan Coalition are necessary to enable the most troubled plans and their contributing employers to survive the potentially devastating long-term financial affects of the combination of market contractions and historically low interest rates that they confronted from 2000 to 2002.

We fully support the Coalition's proposals, particularly those designed to: increase the funded position of all plans; impose additional spending discipline upon plans whose funded position is beginning to erode; and, for those plans that are facing a short-term funding deficiency, reinstate the flexibility that plan trustees and the bargaining parties had when ERISA was first enacted to modify certain ancillary benefits to bring the plans' liabilities and resources back into balance. Failure to include these changes would result in an unacceptable bill that is worse than current law which we cannot support. In particular, the changes that are of critical importance may be summarized as follows:

- The ability to modify ancillary benefits (the so-called "Red-Zone cuts" that are included in principle in the House bill) – Some have mischaracterized this proposal and implied that restoring this authority is unnecessary, that it would be used arbitrarily to reduce benefits and that benefits for existing pensioners are placed at risk. The simple fact of the matter is that **these changes are needed to protect the normal retirement benefit at normal retirement age for all current and future retirees**. Under this proposal, benefits for current retirees are not at risk. Furthermore, only seriously troubled plans (5% to 10% of all plans) that are certified by their actuaries as having met the very strict criteria of "Critical Plans" will be affected and the union trustees that represent the affected employees will ensure that benefits of active and terminated vested employees will be reduced only as far as needed for the survival of the plan. The alternative is not the status quo, but potential employer bankruptcy, plan failure and reduction of all retirement benefits (including those of current pensioners) to the PBGC guarantee levels (currently an annual maximum of $12, 870 after 30 years of service). For people who have already retired with benefits that may be two or three times that level, such a reduction would be devastating and is completely unacceptable.

- Excise taxes must not be applied if the reason funding benchmarks are not met is due to reasonable cause and not willful neglect. The Senate bill imposes excise taxes for failure to meet funding benchmarks and makes a waiver of such penalties discretionary. It is unreasonable for such penalties to be applied if the reason for such failure is beyond the reasonable control of the Trustees.

- Plans that are not experiencing serious funding problems should not be forced to impose dramatically higher contribution rates. The so-called "Yellow Zone" funding benchmarks should apply to plans facing a funding deficiency, but plans that simply drop below 80% funded but face no long- or short-term funding problems should not be unnecessarily restricted.

Although there are other issues that are priorities for us (all of which have been identified by the Coalition and previously communicated both directly and with staff), it is our sincere desire to see the Conference proceed without delay to enact a comprehensive pension reform bill that incorporates the best elements of the House and Senate bills and which helps preserve the long-term viability of multiemployer defined benefit pension plans. Every day that passes without enacting comprehensive reform brings some plans closer to a funding deficiency under current law and the potentially wide-spread ripple effects of such an event on plan participants and sponsors.

As noted above, your continued leadership in this issue is appreciated. Please do not hesitate to call on us if we may be of further assistance to you in your continued efforts to bring this bill to a fruitful conclusion.

Sincerely,

[Signed]