



Joint Select Committee *on the Solvency of Multiemployer Pension Plans*

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BROWN OPENING STATEMENT AT JOINT PENSION COMMITTEE HEARING

WASHINGTON, D.C. — U.S. Sen. Sherrod Brown (D-OH) – co-chair of the Joint Select Committee on the Solvency of Multiemployer Pension Plans – released the following opening statement at today’s hearing.

Opening Statement as Prepared for Delivery

Joint Select Committee on the Solvency of Multiemployer Pension Plans – The Structure and Financial Outlook of the Pension Benefit Guaranty Corporation.

May 17, 2018

I call the Committee to order. I would like to welcome my colleagues and everyone in attendance to the second hearing of the Joint Select Committee on Multiemployer Pension Reform.

Our job on this committee is to find a bipartisan solution to the multiemployer pension crisis threatening 1.3 million Americans and thousands of small businesses.

To do that, we also have to confront the secondary crisis threatening the Pension Benefit Guaranty Corporation, or the PBGC.

Congress created the PBGC in 1973 to serve as the insurance company for these retirement plans. Like any insurance plan, PBGC coverage doesn’t kick in until after the damage has been done – after a plan has failed, after businesses have gone under, and after jobs have been lost, PBGC is supposed to cover part of the retirement workers earned.

Ask anyone who’s ever totaled a car or dealt with flooding or fire in their homes – you’re sure glad you have insurance. But you’d much rather have avoided the disaster in the first place.

We have the opportunity to do just that – to keep those businesses open, to save those jobs, and to ensure workers get the entire retirement they earned.

Simply propping up the PBGC is not enough. We can't take our hands off the wheel, close our eyes and allow this car to crash, simply because we bought an insurance policy.

We can't do that to the retirees and businesses whose plans are in crisis, and we can't do that to the multiemployer system.

You see, as the crisis in the multiemployer plans has developed over the last few years, a second, quieter crisis has developed at the PBGC – a crisis that means allowing just one of these major plans to fail could put enough strain on the insurance system to bring down the entire PBGC multiemployer system.

According to the latest estimates, the multiemployer system at the PBGC faces a deficit of more than \$65 billion, and growing. It has just \$2 billion in assets, and is projected to become insolvent within the next seven years.

So we can see the writing on the wall. When one of these large plans on the brink of failure requires the PBGC to step in, the PBGC will also fail – potentially leaving taxpayers on the hook for tens of billions of dollars. It's our job to make sure that doesn't happen.

The federal government helped create this crisis and the federal government must help solve it.

Each plan is different, and there are many factors that contributed to bringing them down. There's no question that Wall Street squandered some of this money.

But the government also played a role, through perverse tax incentives, insufficient premium levels, and inadequate tools and financing for the PBGC – all parts of this system that were designed and put in place by Congress.

We have a responsibility to correct each of these errors. Yes, that means addressing future actuarial assumptions within these plans, but that's not a complete solution.

To truly address this crisis, we must do two things:

1. Update and improve the PBGC going forward, so this never happens again, and
2. solve the current crisis facing retirees and workers and businesses.

We can't do one without the other.

Updating and strengthening the PBGC alone would still lead to massive pensions cuts. It would leave small businesses drowning in withdrawal liability, and active workers paying into a pension they will never receive.

We need to make it clear to all the Americans whose lives will be upended by the failure of these plans – we won't let that happen.

At the same time, we cannot just put out the fire we're fighting today, but leave the PBGC as a box of kindling, waiting to ignite another crisis a few years down the road. We must ensure that we never get to this place again.

I am confident we can do both together, and that the information we obtain today will be an important part of that process.

This Committee will continue to hold hearings – two more in June, and another two in July. At the same time, we are holding numerous staff and member level briefings and continuing to receive comments and input on our website, www.pensions.senate.gov.

This will arm all of our members with the information they need, and give the people we serve the opportunity to weigh in.

In July, when the bulk of our hearings conclude, we will have to start the process of negotiating a bipartisan solution to this crisis.

I am ready and willing to consider any idea that solves the current crisis and helps prevent a future crisis, and I know Chairman Hatch shares that approach. And with that, I yield to my co-chairman, Senator Hatch, for his opening statement.

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