WASHINGTON – Joint Select Committee on Solvency of Multiemployer Pension Plans Co-Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a hearing examining employer perspectives on multiemployer pension plans:

We have brought in business representatives to provide their perspectives on issues with the defined benefit system in order to better understand the realities employers face participating in the multiemployer system.

We will delve into some fundamental questions, including why employers entered into collective bargaining contracts to participate in these plans; how participation affects a business’s ability to operate as a going concern; and how the financial condition of these plans affect their ability to access credit, invest in new facilities, equipment, expand operations, and hire new employees.

Before I proceed, I want to provide a brief update on the activities of the Joint Select Committee. The committee is operating on several tracks.

We have the outward facing process of the hearings, which have been useful to better understand the issues confronting the committee. Committee staff have also held a number of briefings on a wide variety of technical issues in the multiemployer area, including topics that will be touched upon today, such as the impact of withdrawal liability and the operation of the bankruptcy laws in the multiemployer space.

The committee is also working on a range of possible policy options for review. And we continue to develop and evaluate these options, working with the PBGC, our in-house experts, and other agency officials to put some flesh on the bones of these ideas.
I remain open as to what the committee may consider later this year, and my co-chair, Senator Brown, has similarly expressed openness. I also know that there are members of this committee who are actively working on proposals, which they may put forward after fully analyzing their ideas.

But with all of that said, there remains a lot of work to do. And I think I should be clear that I do not see our choices as being limited to a referendum on some sort of loan program.

I bring this up because some prior comments have indicated to me that some of my friends have become convinced that we are stuck with a loan or nothing choice. I have a few thoughts about that.

First, some of us have genuine concerns and questions about the nature of the proposed loan programs, which have yet to be fully analyzed. And a major question remains: what is the limiting principle on risk to the American taxpayer? Multiemployer plans are private arrangements between employers and unions, covering wage compensation and fringe benefits.

Yes, they are shaped to some degree by the tax and pension laws, but so are defined contribution plans and other pension arrangements, as well as a whole host of other financial arrangements in the private sector.

It is clear that the employer and union participants entered into these contracts with an understanding of the terms and conditions that should have allowed them to manage these obligations in a way that would ensure their financial viability.

And, although federal actions over the last 50 years have helped shaped where these plans stand today, the arrangements are, at their core, privately-bargained-for contracts—negotiated without the federal government’s input. And, candidly, the vast majority of federal taxpayers have no financial interest in these plans.

So let’s be diligent and methodical as we approach these issues and negotiate solutions. I want to be sure we create are mindful of all of the consequences of our approach—intended or not—so that we can prevent future failures, mismanagement of taxpayer dollars, and the economic dangers of moral hazard.

We need to learn from our mistakes and do better here. Now, none of what I am saying is to dismiss the real concerns of participants, including active workers and retirees who face real hardship as these plans decline and even fail.

As a former skilled union member, I understand these perspectives, and I recognize that the difficult, but necessary choices we have to make as this committee will affect real people with real families. But I also know that real people, who are currently employed and paying taxes, are also affected by the decisions these businesses have to make.
And the difficulty businesses encounter because of the current condition of these pension plans is sometimes bizarre, if not ludicrous.

As just one example, it is alarming, as we will hear today, to learn that the estimates of withdrawal liability frequently exceed the book value of the sponsoring companies. And as some companies will testify, there is a real fight to get out from underneath the burdens of pension liability for employees who were never even employed, let alone received a pay packet.

It is truly a complicated issue. One that requires us to move thoughtfully, instead of jumping to conclusions to score political points. That’s why I look forward to exploring these issues in depth today and beyond, and am pleased by our witnesses today, who will share with us their views on these matters.

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