Coalition to Congress: No Pension Bailouts

February 1, 2018

Dear Members of Congress:

On behalf of our organizations and the millions of American taxpayers we represent, we write to express our strong opposition to taxpayer bailouts for private, union-run pension plans, especially on any upcoming spending bills. As you know, proposed "solutions" to the multiemployer pension crisis, such as the Butch Lewis Act and proposals offered by UPS and the NCCMP, would simply shift the burden of private pensions' broken promises onto taxpayers who had no role in those promises.

Across the U.S., more than 1,300 multiemployer, or union-run pension plans have promised $500 billion more than they set aside to pay to roughly 10 million workers and retirees. This is a terribly unjust situation—these plans' irresponsible and sometimes reckless management will leave workers with less than they were promised. But taxpayers did not make and break those promises and they should not have to pay for them. Nor should responsible employers that have not short-changed their workers' through unfunded compensation promises suffer a competitive disadvantage to those that have.

Liberal lawmakers want taxpayers to bail out private, union-run pension plans under the guise of highly-subsidized government loans and PBGC "assistance." These loans rely on speculation—betting that plans can invest their way out of massive deficits. If that were a sound strategy, the U.S. government should issue trillions of dollars in new debt and invest it in the market to reduce its deficits. Taxpayer dollars should only be used for essential government functions—not investment speculation.

The only difference between a cash bailout and a government loan is that the cost of a loan is unknown. CBO's faulty scoring requirements assume that loans to insolvent pension plans that would be rated "junk" are instead riskless investments. In reality, these loans would likely cost taxpayers upwards of $100 billion and as much as $500 billion, depending on the loan terms. Directly bailing out the PBGC—as the Butch Lewis Act proposes—could add another $100 billion to the cost.

Lawmakers should not be fooled by entirely unrealistic claims of massive economic contagion effects. Failed pensions will have negative impacts on individuals as well as the economy, but shifting those cost onto future taxpayers will only delay the negative impact—not erase it.

If the federal government bails out private union pensions' $500 billion in unfunded liabilities, state and local governments' $6 trillion in unfunded pension liabilities will be next.

Conservatives should not promote irresponsible and dishonest actions or create a disadvantage for responsible companies and pension plans by bailing out bad actors. Instead, lawmakers should: 1) reform the PBGC so that it can protect workers and retirees when their pension plans fail; 2) implement rules that will prevent further pension underfunding; and 3) provide pathways for troubled plans to minimize losses across beneficiaries.

We, the undersigned organizations, urge all members of Congress to reject any taxpayer bailouts for private, union-run pension plans, particularly in upcoming government spending bills.

Sincerely,

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Adam Brandon, President
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