...Congress makes big change to law on union pensions

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vote no, the U.S. Treasury Department can override that vote and approve the cuts if the plan's insolvency would increase the PBGC's projected liabilities by $1 billion or more.

The 161-page law making the changes is titled the Multiemployer Pension Reform Act of 2014, but it didn't go through the normal legislative process of hearings and committee votes. Instead, it was passed, with almost no debate, as an amendment in the House Rules Committee to a bill to continue funding for the federal government.

The Multiemployer Pension Reform Act was crafted largely along the lines of a proposal called "Solutions Not Bailouts," which was developed by a task force formed by the National Coordinating Committee on Multiemployer Plans. NCCMP, with offices at the AFL-CIO headquarters in Washington, D.C., is a kind of trade association for union benefit funds. But not all unions agreed with the legislation. The proposal was supported by the AFL-CIO Building & Construction Trades Department, Service Employees International Union, the Carpenters Union, United Food and Commercial Workers, United Association of Plumbers and Pipefitters, Operating Engineers, and the Painters, and by union employers like Associated General Contractors and Kroger. But it was opposed by the Machinists, United Steelworkers, United Auto Workers, Teamsters, and Boilermakers, and by AARP and the nonprofit Pension Rights Center.

"It's a breach of faith," says Karen Friedman, policy director for the Pension Rights Center. The Pension Rights Center, an advocacy group funded by foundations and individual donations, assembled an informal coalition with AARP and unions opposed to the Solutions Not Bailouts proposal.

"We're breaking a fundamental tenet in our federal pension law that has been there for 40 years: You do not take benefits away from people that are already retired," she said.

"When Congress passed ERISA 40 years ago, its principal aim was to put an end to disappointed pension expectations, to put an end to broken promises," Friedman told the Labor Press. The 1974 law she refers to — the Employee Retirement Income Security Act — created the PBGC, and regulated benefit plans to make sure they invested prudently and treated participants fairly. It also barred the plans from reneging on promised benefits.

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NCCMP executive director Randy DeFrehn says the Solutions Not Bailouts proposal wasn't ideal: It came about after other proposed solutions got nowhere in Congress, and after a Republican House committee chair declared, in effect, that union pension funds would have to solve their own problems, and would not get any bailout from taxpayers.

DeFrehn has said previously that if no changes were made, pensions in troubled plans would be cut; it was only a question of when. The thinking of the NCCMP, therefore, was that if smaller cuts spread across the board could — as a last resort — preserve a pension plan for the long run, it would be better than to wait until the plan was insolvent, at which time the PBGC would inflict maximum cuts to everyone.

Union multi-employer benefit plans, by law, are overseen by an equal number of trustees appointed by the union and participating employers. Trustees have a fiduciary duty to serve only the well-being of the beneficiaries, not that of the union or contributing employers. But severe distress among some multiemployer retirement plans has made it more murky how to interpret that legal obligation.

The beauty of the multiemployer model is that small employers can provide a generous benefit at a relatively low administrative cost. It works particularly well in industries like construction, where workers may go from project to project and from employer to employer, yet have each employer make a contribution to their benefits. Multiemployer plans work because they pool funds from many employers. They're all in it together, and in general, multi employer plans have proven much more stable than pension plans sponsored by single employers. But when the plans get into serious trouble, they run the risk of all going down together. To make up for losses, participating employers are made to pay heavy surcharges. That can lead to a vicious cycle, because new employers are reluctant to join the plan, and the heavy surcharges make participating employers less competitive with nonunion firms; they lose business, and thus contribute less to the plan, or they even go under.

Some union plans in the construction industry got into trouble because they were hit with a double whammy: Their assets lost value in the stock market at

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