Pensions Under Attack in America

New Bill signed into law by Obama

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On Friday, July 6, President Obama signed into law a bill that would renew transportation programs and extend low interest rates on student loans for one year. While this minimal gesture resulted in, no doubt, sighs of relief from those burdened by student debt, tucked away within the bill's pages was a little-noticed proposal to further erode the funding of workers' pensions. The bill was a brilliant sleight of hand where what it appeared to be giving with one hand distracted the public from what it was taking away with the other.

Aside from the more publicly known parts of this bill, it also reduced the amount that corporations pay into an already grossly underfunded pension system. The way it achieved this is with a complex equation factoring in interest rates, changes in how businesses calculate what they must contribute to retirement premiums, and how these contributions are tax deductible. The end result of this opaque process of number crunching is that, according to the Society of Actuaries, employer pension contributions will be reduced overall from a mandatory $80 billion to $45 billion this year alone. Next year this amount will be slashed by $73 billion. (1)

While the amount of company pension contributions would increase afterwards, there is no guarantee that this can be counted on to make up for the short-term cuts. Without a fundamental change in the political climate, it can be assumed that this distant increase will be reversed.

Some have said that these employer pension payment deductions will not amount to much given the $1.9 trillion employers have already invested into these plans over the decades. Yet the political importance of this bill cannot be calculated by arithmetic alone. It is another example of a pattern of how politicians have enabled corporations to minimize their responsibility towards their employees' pensions to the point where the entire system is in danger and the dream of a comfortable retirement is approaching collapse.

How far has the pension system fallen into disrepair? According to The Pension Benefit Guarantee Corporation (PBGC), the quasi-government agency responsible for retirement funds, the public employees pension was being funded at 103 percent in 1999. The pension funds for the private sector were likewise robust.

By 2008, according to the Pew Center, the public sector pensions were short $452 billion. By 2009 the PBGC reported a funding shortfall of $355 billion and a shortfall of $407 billion for "single employer pensions."

Why this dramatic change? The corporations, their politicians, and media lay the blame on growing pension costs (though many have been frozen) and an increased number of workers retiring. This is turning the reasons behind the pension system's shortfall on its head. Fundamentally, the reason for the growing threats to retirement is corporate greed, backed up by their political power, as well as the effects of the economic crisis.

There are numerous examples of how big business and their two parties, the Democrats and Republicans, have colluded to erode their legal responsibility to fund pensions. The Pension Protection Act of 2006 enabled pension funds to partner with high-risk speculators, resulting in massive loses to the system in 2008-2010. Corporations have been allowed to declare phony bankruptcies in order to dump their pensions on the PBGC. They are also allowed to divert funds that should go into pension funds towards covering health care costs as well as buying back company stocks and making dividend payouts to stockholders. The list could go on for the ways the political system lets the corporations off the hook at the cost of threatening workers' retirement. The effect of these measures is to starve the pension system in order to fatten corporate profits.

In addition, the Great Recession has also had a debilitating effect on pension funding. A jobless recovery means fewer workers able to contribute. If corporations were adequately taxed on the trillions they are hoarding to finance a real jobs program, this would not be a problem. Instead, the corporations and their politicians are pursuing the opposite course. They are using the bad economy to justify making the problem worse by cutting away at company obligations to their workers and their pensions.

The provision of the bill Obama signed into law on July 6th regarding pension funding demonstrates the bipartisan priorities geared towards benefiting corporations at the expense of workers. The public justification for this scheme is that the economy is bad and it wouldn't help workers if these companies went broke as a result of trying to cover the pension shortfalls.

This is a variation of the same line of argument used to justify all austerity measures. Playing on the assumption of common cause between the economic elite and workers, corporations plead poverty and sermonize on the need for "shared sacrifice." The truth, however, is that big business isn't broke. There is plenty of money to assure a comfortable retirement for all workers, not to mention universal health care, social security, and full employment. The problem isn't fiscal, it's political. The corporations do not want to pay their fair share, and they own the political system.

Solutions to the pension crisis will not be found within the Democratic or Republican Parties. It will take the force of an independent social movement to make the rich pay. Such a social movement could start with the demands of "Jobs – Not Cuts" "Tax the Rich." From this starting point, it could mature to take on other issues that unite workers such as a solution to the pension crisis.

What kind of solution could be proposed?

A demand that a mass movement can get behind. In order for this to happen the demand would have to solve the crisis, be easily understood to inspire, and make a clear demarcation between the interests of the 99% and 1%. To do this a social movement around the pension crisis should call on the federal government to takeover pensions with a heavy tax on corporations that would ensure that they are fully funded and fine those who have willfully failed to properly pay into their pension funds. Then we could demand that Social Security be strengthened so that it could gradually replace the precarious pensions offered in both the public and private sectors. But demands around pensions should be linked to the more immediately pressing demand for most workers, namely a massive jobs creation program. In this way working people will be united and in a position to mount a massive campaign.

Notes

(1) "New law gives US companies a break on pensions" by Alan Fram.http://www.dailytribune.com/article/20120709/FINANCE01/120709544/new-law-gives-us-companies-a-break-on-pensions

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