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Retired ironworkers could face pension cuts next month

By Jonnelle Marte January 4 at 7:00 AM

Larry Burruel is starting the new year with a grim reality: His monthly pension check could be cut in half at the end of the month.

Burruel, 68, is among the hundreds of retired ironworkers who received the tough news a few weeks before the holidays. The cuts proposed by his pension plan, a small Cleveland-based fund with about 2,000 members, were approved by the Treasury Department on Dec. 16. It is the first time the agency has given the green light for a private pension plan to cut benefits for its members.

The proposal, which will reduce benefits by 20 percent on average, must now be voted on by the retirees and workers in the Iron Workers Local 17 Pension fund. If approved, retirees could see smaller pension payments as soon as Feb. 1.

The cuts were proposed under a 2014 law that for the first time made it possible for struggling pension plans to cut benefits if it would help improve the solvency of the fund. The ironworkers make up a sliver of the roughly 1 million workers and retirees in financially troubled plans that are on pace to run out of money within the next two decades, according to the Pension Benefit Guaranty Corporation, which insures private pensions.

But critics of the pension law worry that the cuts may open the door for other troubled pension plans to shrink retirees' benefits. At least five other pension plans are waiting for the Treasury Department to review their applications to scale back benefits. The proposals could affect tens of thousands of employees and retirees who earned pensions as bricklayers, furniture workers and autoworkers.

“This could just open the flood gates for approval for all of them,” said Karen Ferguson, director of the Pension Rights Center, a nonprofit that focuses on retirement issues.

Until now, the agency had denied all other applications to cut retirement benefits submitted under the law. That includes a plan that would have affected nearly 300,000 current and retired truckers in the Central States Pension Fund, one of the largest pension plans in the country, which is on pace to run out of money within 10 years. Kenneth Feinberg, the special master appointed by Treasury to review the proposals, has rejected applications when he found the projections for future investment growth were unrealistic or when the cuts would not be sufficient enough to help the pension plans avoid insolvency.

The ironworkers fund, however, met the necessary requirements in its final application, which officials withdrew and resubmitted over the summer. In the revised application, pension leaders used more modest projections for expected investment returns.

Ferguson and other opponents of the cuts say the proposal should be rejected to give lawmakers and other authorities more time to come up with an alternative plan for shoring up troubled pension plans. It’s not clear, however, how much Congress will focus on pensions at a time when President-elect Donald Trump has encouraged lawmakers to prioritize health care and tax issues.

Members of the plan have to submit their votes by Jan. 20. A “no” vote from the majority of the plan members cannot be overridden by the Treasury Department.

“The good news here is the final decision rests with the workers,” Sen. Sherrod Brown (D-Ohio) said in a statement.

But some pension advocates worry that not enough participants will cast a vote, since roughly half of the members are exempt from the cuts because of their age or a disability. Under the law, anyone who does not vote will be registered as voting in favor of the proposal.

The leaders of the Iron Workers Local 17 Pension Fund say the cuts are necessary to keep the fund afloat. If no changes are made, the fund is expected to run out of money by 2024. At that point, the pension plan would need to rely on a federal insurance program that is supposed to back up struggling pension plans.

By then, however, there may be no backup plan in place. The multi-employer pension fund for the Pension Benefit Guaranty Corporation, which is meant to back up plans like the Iron Workers fund or the Central States fund, is also running out of money. The program is on track to become insolvent by 2025, if not sooner.

Burruel, who spent about three decades welding metal and manning construction sites for bridges and buildings in the Cleveland area, says it will be difficult for him to make up the lost income if his pension is cut. The reduced checks will make it difficult for him and his wife to afford treatments they need for heart conditions and other health issues, he says.

“I cannot go back to work,” Burruel said, adding that he can’t be on his feet for long because of knee and hip injuries. “There’s no way I’m going to be able to make up that income.”

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Jonnelle Marte is a reporter covering personal finance. She was previously a writer for MarketWatch and the Wall Street Journal. Follow @jonnelle