Testimony of Andrew J. Scoggin
Executive Vice President, Human Resources, Labor Relations, Public Relations & Government Affairs
Albertson's LLC

Before the Subcommittee on Health, Employment, Labor and Pensions
U.S. House of Representatives

Hearing on "Examining Reforms to Modernize the Multiemployer Pension System"
April 29, 2015

Chairman Roe, Ranking Member Polis, and Members of the Subcommittee:

Thank you for inviting me to testify before you today on the important and timely matter of multiemployer pension reform. Being here reminds me that I had the pleasure of testifying before this committee almost ten years ago. Thanks to the work and leadership of this committee and the bipartisan cooperation it has demonstrated, the Congress has made significant progress since my last appearance in June 2005 to strengthen the Multiemployer Pension System. And in many respects, my testimony today serves as an endorsement for a number of the proposals under consideration, none of which would be possible were it not for the work this committee has already accomplished.

I would also be remiss if I didn't take this opportunity to thank Randy DeFrehn and commend him and his colleagues at the National Coordinating Committee for Multiemployer Plans (NCCMP) for their thoughtfulness and commitment to arrive at sustainable solutions to this serious problem.

To provide a bit of context as I appear before you today, Albertson's LLC's parent company is AB Acquisition LLC, which also operates New Albertson's, Inc., and Safeway Inc., and is the second largest supermarket chain in the nation with more than 2,200 stores in 34 states and the District of Columbia. We operate stores under 18 banners, many of which may be familiar to you – including Albertsons, Safeway, Vons, Jewel-Osco, Shaw's, Acme, Tom Thumb, Randalls, United, and Carrs to name a few. With approximately 250,000 employees -- of which 68% are unionized -- a key aspect of my responsibility in the company is to provide a robust and competitive benefits package for all our associates and retirees.

Today, as you're all undoubtedly aware, over 10 million Americans are enrolled in multiemployer pension programs. It goes without saying that all of us – policymakers, legislators, regulators, employers and participants – are responsible for putting a framework in place that safeguards the retirement security of this significant segment of the American workforce. Failure to act – and act expeditiously - will have potentially catastrophic effects not only the companies that provide these pensions, but most importantly its employees and their families.

Modernizing the regulatory framework for multiemployer pensions is no easy task, however. The structural reforms that Randy has outlined this afternoon will require sacrifice all around and considerable cooperation from both parties, with input and support from industry participants, unions, their employers. I believe this is possible because I've seen this committee do it before.

Over the last ten years, Congress has worked to strengthen the Employee Retirement Income Security Act (ERISA) through the Pension Protection Act (PPA) in 2006, and most recently, the Multiemployer Pension Reform Act (MPRA) last Congress. I was a strong proponent of PPA. Coupled with MPRA, these pieces of legislation represent a significant improvement to the retirement security of the workforce that participates in covered plans. From an employers' perspective, in spite of this progress, there remains work to be done to address shortfalls that previous legislation has not corrected. The policy recommendations presented to you by the NCCMP shaped much of the 2014 reform bill and provides a blueprint for what we would like to see happen as we move forward.

Now more than ever, employers face incentives to exit the multiemployer pension system, ultimately undermining employers' willingness from entering the system. As with most unionized employers, Albertsons continues to pay increasing contributions to troubled pension funds, which are still suffering underfunding from the 2008 financial crisis. In some instances, our increased contributions go toward pensions of employees whose employers have gone out of business. Money spent on keeping these funds afloat is money we would rather spend on hiring workers, raising wages, expanding our business and contributing to the American economy.

We need new tools in our toolbox to address the challenges which were not contemplated when multiemployer pension rules were initially put in place. For example, under existing law, neither the bargaining parties nor trustees have the option of managing a plan that does not include the concept of withdrawal liability.

Another problem we've seen progress is the maturity of multiemployer pension programs. Gradually, the population of these programs has shifted from active, to retired, terminated and vested participants. Although anticipated, this transition creates an increase in both assets and liabilities of multiemployer plans, increasing an already-growing funding shortfall. Generally speaking, the more reliant pensions become on assets, the more reliant they also become on investment income, putting them at greater risk of insolvency.

In recent years, large-scale rating agencies and the Financial Accounting Standards Board (FASB) have increased their focus on multiemployer pension programs. There exists, however, significant misunderstanding of how multiemployer plans calculate liabilities. This unfortunate and avoidable confusion creates an ominous cloud around employers who participate in multiemployer pension programs, resulting in stricter lending requirements and crosscurrents to their fiscal stability.

These are only a few of the many problems within the multiemployer pension system we would like to see legislation address. New reporting and disclosure requirements have also created challenges that make it harder for employers to maneuver when entering in and out of multiemployer pension programs.

Congress needs to equip employers and employees with the regulatory flexibility necessary to make changes to benefits programs that do not run afoul of beneficiaries, their employers, or the system as a whole.

Chairman Roe, Ranking Member Polis, and Members of the Subcommittee, I thank you again for inviting me to testify before you today in support of modernizing the multiemployer pension program. I look forward to working closely with you to create a holistic approach to safeguard the retirement security of hard-working Americans who participate in the multiemployer system. I look forward to your questions.