

Council 4 AFSCME Testimony – SB 711 and HB 6191 2/10/09 Labor and Public Employee Committee

My name is Brian Anderson. I am a legislative representative for Council 4 AFSCME, a union of 35,000 public and private employees.

Council 4 strongly supports Raised Bill 711, AAC the Elimination of State Financial Assistance for Companies that Reduce Retirement Benefits. U.S. Senator James Webb, a Vietnam war hero and Ronald Reagan's former secretary of the Navy recently said that the "middle class of this country, our historic backbone and our best hope for a strong society in the future, is losing its place at the table." The decline of the middle class is one of the biggest problems that our state and country face. This bill tries to do something about that.

Over the past twenty years, we have seen a massive revocation of pensions of working families. It is necessary to have a pension for the average family to have some sort of security in their retirement. A pension is part of the traditional three legged stool of retirement. The other two legs are personal savings (usually in the form of having paid off most of the cost of a house) and Social Security.

Many prosperous companies have been dropping their pension plans and switching to 401Ks and defined contribution plans that fall far short of the needs of the average retiree. All too often, the reason for this shift has been to reap more profits for the upper management of those companies. Unfortunately, that extra profit comes at the expense of employees. The replacement of pensions with 401ks shifts financial risk from the employer to the individual employee, who is less able to bear such risk. We are certainly seeing the inadequacy of 401ks since the tremendous economic downturn. It is also commonly known in the financial world that up to 28% of working people don't take advantage of their employers' 401k program, which lessens the employers' costs even more.

In the steel and airline industries, tens of thousands of workers have had their employers renege on their contractual obligation to pay those workers a pension. These pensions were not a gift or a frill. These pensions were earned, as part of the compensation that an employer promised to pay an employee in return for a lifetime of labor. While some of these companies were in bankruptcy, for the most part they possessed enough assets to fully or substantially fund their pension obligations. Instead they chose to use loopholes in federal law to sell off those assets, dump their pension obligations and gain a profit for top management in doing so. This has led to the financial devastation of thousands of Americans who have played by the rules and it has inflicted a large burden on the taxpayers who must then support these ripped off pensioners.

While, this bill does not solve the problems that I have talked about, at least it is an attempt by the state to send a signal to business that it should not shirk its traditional responsibility and allow its retired workforce to spend their last few years suffering in poverty.

Council 4 also strongly supports HB 6191, AAC Impact Statements for Major Layoffs or Dismissals of State Employees. There were several horrendous decisions on layoffs that cost the state revenue and endangered public safety. This included laying off state tax auditors whose collection yield exceeds many times their cost in revenue. State truck inspectors were laid off so that dangerous trucks that would have been inspected and kept off of the highways were not. Clerical workers whose jobs were to act as a double count security system for drivers licenses were laid off, turning it into a single count system and broaching identity security. The impact of layoffs must be assessed. This bill would help protect the public from mindless layoffs.