



## Multiemployer Pension Reform Principles 2018

*In 2015, the multiemployer system provided \$2.2 trillion in economic activity to the U.S. economy, generated \$158 billion in federal taxes, \$82 billion in state and local taxes, supported 13.6 million American jobs, and contributed more than \$1 trillion to U.S. GDP. This includes \$41 billion in pension payments and \$203 billion in wages to active employees.*

**Why a Solution is Necessary.** Over one million retirees in multiemployer plans are in danger of losing benefits because the plans that pay them will go insolvent. In addition, the federal agency that acts as a backstop—the Pension Benefit Guaranty Corporation (“PBGC”)—is also in danger of insolvency. Without a resolution to this crisis, there will be billions lost in retirement benefits.

The Multiemployer Pension Reform Act of 2014 (“MPRA”) provided pension plan trustees with a powerful solvency restoration tool that enabled them to ensure solvency of the plan. This was specifically designed to protect retirees from the even larger benefit reductions that they will see when their plans go insolvent and subject to the PBGC guarantee. Treasury was provided approval authority over MPRA applications. Unfortunately, Treasury rejected the largest, most systemically important plan, Central States Teamsters Pension Fund (“Central States”). The insolvency of Central States threatens not only the employers in the fund, but the PBGC and the entire multiemployer system itself.

**Rescue Legislation is Urgently Needed.** Some multiemployer plans are in imminent financial danger. Legislation to save them must be passed as soon as possible. While these are difficult issues and we encourage thorough consideration of the legislation, it is critical to have a program that restores the solvency of critical and declining status plans while protecting the U.S. economy as soon as possible.

**Financial Assistance Through Loans is a Necessary Part of Multiemployer Reform.** The financial and demographic circumstances of certain plans will not allow them to survive without cash infusions. The loan program should optimize solvency of the plan and provide the taxpayer with confidence that the federal loan will be repaid.

**All Parties Should Contribute to the Resolution.** It is unfair for only one party to bear the brunt of the reform efforts. Employer contributions and PBGC premiums have increased exponentially, while workers have suffered reductions in accrual rates and the loss of ancillary benefits, all in a proactive attempt to address the financial distress of many plans. We encourage Congress to consider options that put “skin in the game for all.” This may be in the form of benefit modifications or other provisions. At the same time, these options should provide flexibility for plans.

**PBGC Premium Increases Should be Evaluated After the Solvency Restoration Tools are Implemented.** We understand that the proper funding of the PBGC is important to the viability of the multiemployer system and to ensuring that the PBGC can meet its statutory obligations. However, this cannot be the only—or even the primary—solution to this crisis. Premiums should be raised only as part of a comprehensive reform plan. The PBGC’s net deficit in its multiemployer program is currently \$65 billion. An effective implantation of MPRA and the loan proposal are tools that would restore the solvency of plans that comprise the PBGC’s net deficit. These tools need to be allowed to work in order to understand what exactly the unresolvable net deficit at the PBGC is, which should serve as the basis for any future premium increases inclusive of those that are already in current law.

**Composite Plan Legislation is Necessary to Ensure Continued Viability of Certain Plans.** While the crisis focuses on plans in the critical and declining stages, there are healthy plans that also need tools to remain viable. Composite plans are a voluntary tool to help those plans.

*For background information on the multiemployer system, please refer to the following references:*

[The Multiemployer Pension Plan Crisis: The History, Legislation, and What's Next?](#)

[Multiemployer Pension Facts and the National Economic Impact](#)

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