November 2018

IBEW FACT SHEET
JOINT SELECT COMMITTEE ON SOLVENCY OF MULTIEMPLOYER PENSION PLANS

The IBEW opposes solutions that would apply burdensome funding requirements and excessive fees on multiemployer pension programs, including the National Electrical Benefit Fund (NEBF), the second largest multiemployer pension fund in the United States.

Background

Multiemployer pensions are administered by joint labor management committees and funded in part by negotiated employer contributions. They form the backbone of the retirement safety net for millions of Americans. Approximately 550,000 active members, retirees, and survivors participate in the IBEW's multiemployer pension plans.

IBEW members appreciate the difficult task before the members of the Joint Select Committee on Solvency of Multiemployer Pension Plans. However, several concepts or proposals currently being discussed would render the current system unsustainable and rapidly result in government-induced market failure. Most multiemployer plans – more than 60 percent – are stable and in the "green zone." Some proposals could pose problems for green zone plans and exacerbate the issues that a small number of plans are currently facing.

We oppose (1) the use of 30-year Treasury bond or corporate bond rates as the discount rate; (2) new taxes and fees on workers and retirees; (3) an increase in Pension Benefit Guaranty Corporation (PBGC) premiums; and (4) the use of composite plans as a solution. We support a low-interest loan program.

Not a Solution: Arbitrarily prescribed discount rate

Imposing an alternative discount rate on key measurements for multiemployer pension plan funding would move most healthy plans into endangered or critical status, decrease benefits for participants, and increase contributions to levels that would make it difficult for employers to remain competitive. Using lower discount rates based on corporate bonds or 30-year Treasury bonds would likely lead to significant short-term shifts in plan obligations. Even a 0.25% decrease in the discount rate can detrimentally increase unfunded liabilities by hundreds of millions of dollars.

Not a solution: New taxes or fees on workers, retirees and plans

Recently circulated proposals would apply onerous requirements and fees on otherwise healthy funds. One would raise $3 billion annually from healthy multiemployer funds to support participants in failing plans, creating a tax on retirees' pensions. NEBF beneficiaries would be taxed $20-$30 million annually if the fund is moved to the yellow or red zone. Another proposal creates a new $2 per active worker per month fee on unions and employers, which would cost the IBEW over $6 million annually. Still another proposed plan changes the PBGC's per participant annual premium from a flat fee of $28 to a variable premium with an average of $100, which could cost the NEBF $55 million a year. We oppose any fees or taxes on workers, retires and plans.

Not a solution: Use of composite plans

Composite plans do not address plans that cause a risk to the system. Instead, they seek to restructure healthy plans. Unions bargain in good faith on behalf of millions of workers who defer wages on the promise of defined benefits being available to them in retirement.

A solution: a low-interest loan program

A bipartisan group of members of Congress have signaled their support for a plan that would sell bonds to large investors and lend the proceeds of the bond sales to financially troubled pension plans. We support the establishment of a low-interest loan program to restore the solvency of endangered multiemployer plans. Workers in suffering pension plans are victims who should not be penalized for plan mismanagement, adverse public policy, or Wall Street risk-taking. Participants deserve to receive their full benefits. *Members of Congress should co-sponsor the Butch Lewis Act (HR 4444/S 2147) and speak to congressional leadership to bring the bill for a vote.*

Frequently Asked Questions on Defined Benefit Multiemployer Pensions

Question 1: What are defined benefit multiemployer pension plans?

Answer: Multiemployer pension plans are sponsored by multiple employers in the same industry and maintained as part of a collective bargaining agreement. They are defined pensions, plans where participants receive regular monthly benefit payments in retirement.

Question 2: What is the problem and how large it is?

Answer: A number of multiemployer pension funds are designated as in "critical and declining status" by the Pension Benefit Guaranty Corporation (PBGC) and may become insolvent over the next two decades. Among these are the Central States Pension Fund, one of the largest multiemployer plans in the country, and the United Mine Workers Pension Plan, which will become insolvent in four to five years without any changes. In 2013, the PBGC estimated that its obligation to Central States would be $20 billion, which would ultimately make the PBGC insolvent if Central States failed.

Question 3: How did this happen?

Answer: Certain sectors of our economy, particularly trucking and coal mining, have witnessed dramatic changes in recent decades that led to company failures, consolidations and the wide adoption of employer intimidation tactics and union busting, leading to declining membership and negatively affecting the number of active workers in some pension plans. These impacts have been compounded by statutory changes made by Congress, including the deregulation of the trucking industry in the 1980s, which led to the failure of trucking firms and created thousands of "orphan" participants in the Central States Pension fund, whose employers could no longer contribute to the plan.

Question 4: What would be the impact if Congress allowed these pension funds to fail?

Answer: One million Americans participate in critical and declining multiemployer pension plans. If the PBGC were to become insolvent, retirees in these plans would receive only a small fraction of their expected pensions, harming their livelihoods and their communities. For example, a recent analysis by Matrix Global Advisors found that the failure of Central States would lead to the loss of more than 55,000 current jobs in the United States and decrease national GDP by $5 billion in 2025 due to the sharp drop in economic activity from lost pensions.

Question 5: Would federal assistance or a loan program be a "bailout?"

Answer: Millions of workers and retirees in multiemployer plans have put a lifetime of work into their pensions, often sacrificing pay raises in order to have more invested in their retirement. Helping these Americans is not a bailout – as what happened with the financial services and automotive industries during the Great Recession – but an obligation to protect families and communities from financial ruin. Furthermore, Congress has a responsibility to examine how federal policies contributed to this crisis.

The IBEW and the labor movement at large supports enactment of the Butch Lewis Act (H.R. 4444/S. 2147), legislation that would provide low-interest, 30-year loans to troubled pension plans. The Butch Lewis Act is the best solution available for workers, retirees, businesses and taxpayers and would cost less than a recent proposal considered by the Joint Select Committee on the Solvency of Multiemployer Pension Plans.

If you have further questions, please contact the IBEW Legislative Department at (202) 728-6046 or at political@ibew.org.

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