



The Multiemployer Pension Crisis and the Cost of Congress Doing Nothing

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Updated Summary Notes

- The following slides provides factual details on the multiemployer system, the benefit reductions that retirees will see under current law relative to their contractual benefits, social safety spending, and the costs for federal, state and local governments if Congress does not enact proactive legislative solutions.
- **August 13, 2018 Update** – The estimates of Federal Tax Revenue Loss and State and Local Government Tax Revenue Loss data are being updated to: (1) allocate retiree and retiree related output tax revenue in direct proportion to the retirees in pay status, and (2) allocate the active employees wage and wage related output tax revenue in direct proportion to the active employees earning wages. Additionally, for the active workers, there are a range of tax loss scenarios modeled. Specifically the data models employment losses in insolvent critical and declining status plans of 15%, 25%, 40% and 100%.
- The social safety net spending lists the safety net programs that would be available to retirees that have lost their pension income, the U.S. Government's 2017 expenditures, the number of participants, and the average benefit payable (slide 6). The average benefit payable is then used to estimate the impact on the current retirees receiving PBGC financial assistance as well as the retirees in pay status at plans in critical and declining status (slide 7).
- The “cost” data is presented in two formats. The first looks at the costs over the traditional 10-year budget window. However, one plan solvency restoration option before Congress is to establish a loan program that would provide for a 30-year loan. Therefore, the second format calculates the costs on a net present value basis over a 30-year period, consistent with the Federal Credit Reform Act of 1990 (FCRA) requirements for a federal loan.
- Under the FCRA, the budget costs for a loan program are calculated on a net present value basis over the life of the loan (and not the 10-year budget window). Therefore, in order to compare the loan option, one would present the non-credit costs that the government would otherwise incur on the same basis as the proposed solution.
- The pension data is based on the number of plans that were identified in the 2015 Form 5500 as certified in Critical and Declining Status. In using this data to determine the tax revenue loss and social safety net spending, we used aggregate numbers without modelling the specific timing of the plans insolvencies.

Summary of Multiemployer Pension Data ¹

Data Set	Total	Critical Status	Critical and Declining Status
Number of Plans	1,296	201	110
Number of Employers ²	210,865	33,401	5,402
Number of Plan Participants	10,390,058	2,031,561	1,267,767
Number of Active Participants	3,800,018	666,314	203,501
Number of Retirees and Beneficiaries in Pay Status	3,663,311	683,400	653,739
Number of Terminated Vested Participants	2,926,729	681,847	410,527

Benefits Payable and Reductions Coming to Retirees in Distressed Plans Under Current Law – Examples from MPRA Applications

(\$ Billions)	Contractual Benefits Payable	Benefits Payable Under MPRA Application	PBGC Current Law (Maximum \$12,870 Annually at 30 Years) Benefits Payable	PBGC Benefits Payable at PBGC Insolvency
MPRA Applicants ³	\$6.02	\$4.06	\$2.83	\$0.14 - \$0.35
Percent Benefit Reduction from Contractual Benefits Payable	0.00%	36%	53%	94% to 98%

Summary of Safety Net Spending

Federal Safety Net Programs	2017 Federal Spending	Participants	Average Spending Per Participant
Medicaid (Federal)	\$389,350,000,000 ⁴	67,562,271 ⁵	\$5,762.83
Supplemental Security Income (SSI)	\$53,038,000,000 ⁶	8,100,000 ⁷	\$6,547.90
Supplemental Nutritional Assistance Program (SNAP)	\$78,488,000,000 ⁸	42,205,000 ⁹	\$1,859.68
Housing Assistance	\$45,821,000,000 ¹⁰	4,700,000 ¹¹	\$9,749.15
Low Income Home Energy Assistance Program (LIHEAP)	\$3,387,316,000 ¹²	6,000,000 ¹³	\$564.55
Total Federal Safety Net Spending	\$570,084,316,000		\$24,484.12

State Safety Net Program	2016 State Spending	Participants	Average Spending Per Participant
Medicaid (State)	\$228,240,940,459 ¹⁴	67,562,271 ⁵	\$3,378.23
Total State Safety Net Spending	\$228,240,940,459		\$3,378.23

Federal Revenues and the Costs of a Do Nothing Policy (i.e., Retain Current Law) (Critical & Declining Plans Only) 10-Year Budget Window 2018-2027 Scenarios

(\$ Billions)	Do Nothing 15% Employment Loss	Do Nothing 25% Employment Loss	Do Nothing 40% Employment Loss	Do Nothing 100% Employment Loss
Federal Tax Revenues (Total)	\$1,640.5¹⁵	\$1,640.5¹⁵	\$1,640.5¹⁵	\$1,640.5¹⁵
Federal Tax Revenue Loss – Pension & Pension Based Output	\$19.2 ¹⁶	\$19.2 ¹⁶	\$19.2 ¹⁶	\$19.2 ¹⁶
Federal Tax Revenue Loss – Active Wages & Wage Based Output	\$12.3 ¹⁷	\$20.5 ¹⁷	\$32.8 ¹⁷	\$82.1 ¹⁷
Federal Social Safety Net Spending	\$175.5 ¹⁸	\$175.5 ¹⁸	\$175.5 ¹⁸	\$175.5 ¹⁸
Contagion Costs	Not quantifiable, but very large	Not quantifiable, but very large	Not quantifiable, but very large	Not quantifiable, but very large
Minimum Costs to the U.S. Government	\$207.0	\$215.2	\$227.5	\$276.8

Federal Revenues and the Costs of a Do Nothing Policy (i.e., Retain Current Law) (Critical & Declining Plans Only) 30-Year Net Present Value (2018-2047) Scenarios

(\$ Billions)	Do Nothing 15% Employment Loss	Do Nothing 25% Employment Loss	Do Nothing 40% Employment Loss	Do Nothing 100% Employment Loss
Federal Tax Revenues (Total)	\$3,788.4¹⁹	\$3,788.4¹⁹	\$3,788.4¹⁹	\$3,788.4¹⁹
Federal Tax Revenue Loss – Pension & Pension Based Output	\$41.9 ²⁰	\$41.9 ²⁰	\$41.9 ²⁰	\$41.9 ²⁰
Federal Tax Revenue Loss – Active Wages & Wage Based Output	\$25.7 ²¹	\$42.8 ²¹	\$68.5 ²¹	\$171.3 ²¹
Federal Social Safety Net Spending	\$334.8 ²²	\$334.8 ²²	\$334.8 ²²	\$334.8 ²²
Contagion Costs	Not quantifiable, but very large	Not quantifiable, but very large	Not quantifiable, but very large	Not quantifiable, but very large
Minimum Costs to the U.S. Government	\$402.4	\$419.5	\$445.2	\$548.0

State and Local Government Revenues and the Costs of a Do Nothing Policy (i.e., Retain Current Law) (Critical & Declining Plans Only) 10-Year Budget Window 2018-2027 Scenarios

(\$ Billions)	Do Nothing 15% Employment Loss	Do Nothing 25% Employment Loss	Do Nothing 40% Employment Loss	Do Nothing 100% Employment Loss
State and Local Government Tax Revenues (Total)	\$891.1²³	\$891.1²³	\$891.1²³	\$891.1²³
State and Local Tax Revenue Loss – Pension & Pension Based Output	\$12.1 ²⁴	\$12.1 ²⁴	\$12.1 ²⁴	\$12.1 ²⁴
State and Local Tax Revenue Loss – Active Wages & Wage Based Output	\$6.6 ²⁵	\$11.0 ²⁵	\$17.6 ²⁵	\$44.1 ²⁵
State Medicaid Net Spending	\$24.2 ²⁶	\$24.2 ²⁶	\$24.2 ²⁶	\$24.2 ²⁶
Contagion Costs	Not quantifiable, but very large	Not quantifiable, but very large	Not quantifiable, but very large	Not quantifiable, but very large
Minimum Costs to State and Local Governments	\$43.0	\$47.4	\$54.0	\$80.4

State and Local Government Revenues and the Costs of a Do Nothing Policy (i.e., Retain Current Law) (Critical & Declining Plans Only) 30-Year Net Present Value (2018-2047) Scenarios

(\$ Billions)	Do Nothing 15% Employment Loss	Do Nothing 25% Employment Loss	Do Nothing 40% Employment Loss	Do Nothing 100% Employment Loss
State and Local Government Tax Revenues (Total)	\$1,846.8²⁷	\$1,846.8²⁷	\$1,846.8²⁷	\$1,846.8²⁷
State and Local Tax Revenue Loss – Pension & Pension Based Output	\$26.1 ²⁸	\$26.1 ²⁸	\$26.1 ²⁸	\$26.1 ²⁸
State and Local Tax Revenue Loss – Active Wages & Wage Based Output	\$13.7 ²⁹	\$22.8 ²⁹	\$36.4 ²⁹	\$91.1 ²⁹
State Medicaid Spending	\$46.2 ³⁰	\$46.2 ³⁰	\$46.2 ³⁰	\$46.2 ³⁰
Contagion Costs	Not quantifiable, but very large	Not quantifiable, but very large	Not quantifiable, but very large	Not quantifiable, but very large
Minimum Costs to State and Local Governments	\$86.0	\$95.1	\$108.8	\$163.4

Endnotes

¹ Study by The Segal Group commissioned by NCCMP analyzing U.S. Department of Labor, Form 5500 Data. Data accessed in May and June 2017.

² As reported on the Form 5500.

³ Central States, Southeast and Southwest Areas Pension Plan, New York State Teamsters Conference Pension & Retirement Fund, Western States Office & Professional Employees Pension Fund, Southwest Ohio Regional Council of Carpenters Pension Plan, Iron Workers Local 17 Pension Fund, Teamsters Local 469 Pension Plan, Local 805 IBT Pension & Retirement Plan, Ironworkers Local 16 Pension Fund, Int'l Assoc. Of Machinists Motor City Pension Fund, Alaska Ironworkers Pension Plan, Bricklayers and Allied Craftworkers Local 5 Pension Plan, and the Bricklayers & Allied Craftsmen Local No. 7 Pension Plan.

⁴ Office of Management and Budget, Table 23-12 Baseline Net Budget Authority By Function, Category, and Program, <https://www.whitehouse.gov/wp-content/uploads/2018/02/23-12-fy2019.pdf>.

⁵ Center for Medicaid and CHIP Services (CMCS), <https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights/index.html>.

⁶ Office of Management and Budget, Table 23-12 Baseline Net Budget Authority By Function, Category, and Program, <https://www.whitehouse.gov/wp-content/uploads/2018/02/23-12-fy2019.pdf>.

⁷ Social Security Administration, Annual Statistical Supplement to the Social Security Bulletin, 2017, page 4, <https://www.ssa.gov/policy/docs/statcomps/supplement/2017/supplement17.pdf>.

⁸ Office of Management and Budget, Table 23-12 Baseline Net Budget Authority By Function, Category, and Program, <https://www.whitehouse.gov/wp-content/uploads/2018/02/23-12-fy2019.pdf>.

⁹ U.S. Department of Agriculture, Food and Nutrition Service, <https://fns-prod.azureedge.net/sites/default/files/pd/SNAPsummary.pdf>, page 2.

¹⁰ Office of Management and Budget, Table 23-12 Baseline Net Budget Authority By Function, Category, and Program, <https://www.whitehouse.gov/wp-content/uploads/2018/02/23-12-fy2019.pdf>.

¹¹ U.S. Department of Housing and Urban Development, Press Release dated February 12, 2018, https://www.hud.gov/press/press_releases_media_advisories/HUD_No_18_012.

¹² U.S. Department of Health and Human Services, 2017 Second Release of LIHEAP Block Grant Funds to States and Territories under the Consolidated Appropriations Act, 2017 (P.L. 115-31), https://www.acf.hhs.gov/sites/default/files/ocs/dcl_final_release_stateterrs_table_calculations_fy17.pdf.

¹³ U.S. Department of Health and Human Services, Office of Community Services, LIHEAP Fact Sheet, <https://www.acf.hhs.gov/ocs/resource/liheap-fact-sheet-0>.

¹⁴ Calculated based on Federal Medicaid spending of \$398.35 billion, which represents 63.04% of total Medicaid spending and the State's 36.96% share of total Medicaid costs.

Endnotes

¹⁵ Derived from National Coordinating Committee for Multiemployer Plans, Multiemployer Pension Facts and the National Economic Impact, January 5, 2018, <http://nccmp.org/wp-content/uploads/2018/01/Multiemployer-Pension-Facts-and-the-National-Economic-Impact-Jan-5-2018.pdf>. 2015 Federal Taxes Paid (Slide 8) are inflated at 1.0% annually between 2016 and 2047. Tax revenue is then reduced by the average tax reform amounts for the period between 2018 and 2047 as projected by CBO's pre-reform and post-reform estimates. The tax revenue is for the period 2018-2027.

¹⁶ Derived from National Coordinating Committee for Multiemployer Plans, Multiemployer Pension Facts and the National Economic Impact, January 5, 2018, <http://nccmp.org/wp-content/uploads/2018/01/Multiemployer-Pension-Facts-and-the-National-Economic-Impact-Jan-5-2018.pdf>. 2015 Federal Taxes Paid on Pension Benefits and Economic Output Related to Pension Benefits (Slide 8) are inflated at 1.0% annually between 2016 and 2047. Tax revenue is then reduced by the average tax reform amounts for the period between 2018 and 2047 as projected by CBO's pre-reform and post-reform estimates. The tax revenue loss is the summation of the yearly product of the tax revenue and the percent of retirees in critical and declining status plans presumed to go insolvent. This is for the period 2018-2027.

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¹⁸ Calculated based on the average federal spending per participant of \$24,484 (slide 6), multiplied by the sum of the PBGC's current 63,000 participants in multiemployer plans receiving financial assistance and the current 653,739 retirees in pay status at critical and declining status plans. The 2018-2027 spending is the summation of these annual amounts.

¹⁹ Derived from National Coordinating Committee for Multiemployer Plans, Multiemployer Pension Facts and the National Economic Impact, January 5, 2018, <http://nccmp.org/wp-content/uploads/2018/01/Multiemployer-Pension-Facts-and-the-National-Economic-Impact-Jan-5-2018.pdf>. 2015 Federal Taxes Paid (Slide 8) are inflated at 1.0% annually between 2016 and 2047. Tax revenue is then reduced by the average tax reform amounts for the period between 2018 and 2047 as projected by CBO's pre-reform and post-reform estimates. The tax revenue is the net present value of the tax revenue for the period 2018-2047, discounted at OMB's current single effective rate of 3.21%.

²⁰ Derived from National Coordinating Committee for Multiemployer Plans, Multiemployer Pension Facts and the National Economic Impact, January 5, 2018, <http://nccmp.org/wp-content/uploads/2018/01/Multiemployer-Pension-Facts-and-the-National-Economic-Impact-Jan-5-2018.pdf>. 2015 Federal Taxes Paid on Pension Benefits and Economic Output Related to Pension benefits (Slide 8) are inflated at 1.0% annually between 2016 and 2047. Tax revenue is then reduced by the average tax reform amounts for the period between 2018 and 2047 as projected by CBO's pre-reform and post-reform estimates. . The tax revenue loss is the summation of the yearly product of the tax revenue and the percent of retirees in critical and declining status plans presumed to go insolvent. This is for the period 2018-2047, discounted at OMB's current single effective rate of 3.21%.

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²² Calculated based on the average federal spending per participant of \$24,484 (slide 6), multiplied by the sum of the PBGC's current 63,000 participants in multiemployer plans receiving financial assistance and the current 653,739 retirees in pay status at critical and declining status plans. The 2018-2047 spending net present value of the cash flows for the period, discounted at OMB's current single effective discount rate of 3.21%.

²³ Derived from National Coordinating Committee for Multiemployer Plans, Multiemployer Pension Facts and the National Economic Impact, January 5, 2018, <http://nccmp.org/wp-content/uploads/2018/01/Multiemployer-Pension-Facts-and-the-National-Economic-Impact-Jan-5-2018.pdf>. 2015 State and Local Government Paid (Slide 9) are inflated at 1.0% annually between 2016 and 2047. The tax revenue is for the period 2018-2027.

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²⁶ Calculated based on the average state spending per participant of \$3,378.23 (slide 6), multiplied by the sum of the PBGC's current 63,000 participants in multiemployer plans receiving financial assistance and the current 653,739 retirees in pay status at critical and declining status plans. The 2018-2027 spending is the summation of these annual amounts.

²⁷ Derived from National Coordinating Committee for Multiemployer Plans, Multiemployer Pension Facts and the National Economic Impact, January 5, 2018, <http://nccmp.org/wp-content/uploads/2018/01/Multiemployer-Pension-Facts-and-the-National-Economic-Impact-Jan-5-2018.pdf>. 2015 State and Local Government Taxes Paid (Slide 9) are inflated at 1.0% annually between 2016 and 2047. The tax revenue is the net present value of the tax revenue for the period 2018-2047, discounted at OMB's current single effective rate of 3.21%.

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