

# THE PARTNERSHIP FOR MULTIEMPLOYER RETIREMENT SECURITY

## A Business And Labor Initiative

### Why We Can't Wait for Multiemployer Pension Reform

Every day Congress waits, the problems facing multiemployer pension participants get tougher to fix, particularly for plans facing insolvency. Employers need a system that doesn't place their businesses at risk, and employees and retirees need to know that their retirements are secure. An extension of the Pension Protection Act will only serve to delay some of these problems, and will fail to address any of the systemic issues while those problems become harder to solve. The challenges facing the multiemployer pension system require urgent action. They include:

#### Benefit Losses Become More Severe:

The longer Congress waits to take action, the more severe benefit losses will become for those plans in the worst financial shape. Absent an unlikely taxpayer bailout, retirees in deeply troubled plans will face automatic and dramatic benefit reductions when the plans reach insolvency. As troubled plans **clamor** for tools to restructure and preserve benefits to the greatest extent possible, unfortunately, the clock keeps ticking. The sooner the worst-off plans are given the ability to take action to preserve benefits, the better off their participants will be. Waiting only means more severe impacts for retirees, workers and employers.

#### PBGC Insolvency:

The longer Congress waits to take action, the closer the Pension Benefit Guaranty Corporation (PBGC) gets to insolvency and the worse that will be for participants. A **June 2014** PBGC report along with **baseline projections** issued in early 2014 by the Congressional Budget Office (CBO) show the agency could find its multiemployer fund exhausted by 2021 – just seven years from now. These projections make real for more than a million participants in at-risk multiemployer plans the possibility of seeing their pensions disappear entirely. Multiemployer participants cannot afford the automatic and drastic cuts that will come if Congress does not enact reforms.

#### Keeping Employers in the System:

The longer Congress waits to take action, the more participating employers will leave the multiemployer system. Facing growing risks, employers are forced to consider paying their withdrawal liability, cutting special deals or in some cases, bankruptcy, to exit the system and leave retirees behind – while also weakening the system for other participating employers. The bargaining parties urgently need new, innovative plan designs that limit the financial risk for the employers while providing effective benefit protections for plan participants.

#### The Coming Sunset Brings Anxiety and Unpredictability:

The longer Congress waits to take action, the more employers, participants and trustees will feel the uncertainty that comes with the approaching 2014 sunset of the multiemployer funding provisions of the Pension Protection Act (PPA). This growing uncertainty will only further destabilize the multiemployer pension system, force additional employers to opt out, and shake the confidence of workers and retirees in the stability of their retirement pensions.