Alliance for Retired Americans®

FACT SHEET

JULY 2019

Protecting Multiemployer Pensions

On July 24, 2019, the U.S. House of Representatives passed the Rehabilitation for Multiemployer Pensions Act, H.R. 397, also known as the Butch Lewis Act. The bill provides financial assistance to multi-employer pension plans which are at risk of insolvency.

Multiemployer pension plans are collectively bargained pension plans maintained by a labor union and more than one employer, usually within the same or related industries – such as construction, retail, manufacturing, transportation, mining.

The Problem

More than one million Americans depend on multiemployer pension plans for their retirement. Unless Congress takes action, more than 100 multiemployer pension plans are likely to fail within the next 20 years, jeopardizing the retirement income of the workers and retirees in these plans. The largest plan at risk of insolvency is Central States, a Teamster plan. Others include the United Mineworkers Pension Fund and the Bakery, Confectionery, Tobacco Workers and Grain Millers Pension Fund.

The Pension Benefit Guaranty Corporation (PBGC), a federal backstop to protect beneficiaries in the event of a plan failure, today has $2.3 billion in assets backing multiemployer plans; it needs $53.9 billion in assets just to support the pension obligations for plans that have already failed.

By 2025, the PBGC multiemployer insurance fund could run out of the cash it needs to support the pension plans it already has taken over. A collapse of the Teamsters Central States Plan alone would bankrupt the PBGC multiemployer trust fund. Participants and retirees in other failed multiemployer pension plans would then have no pension insurance, and they potentially could lose their the entire pension benefit they earned over years of work.

Addressing the Problem

H.R. 397 provides low-interest, 30-year loans to pension plans in critical and declining status. The Congressional Budget Office estimates the loan program would cost $48 billion over 10 years, far less than the $101 billion it would cost retirees and taxpayers if the PBGC were to fail.

Providing federal assistance or a loan guarantee to troubled entities is not unprecedented. For example, after the 2008 housing crisis Congress provided bailouts worth $280 billion to Citigroup, $180 billion to AIG, and $142 billion tor Bank of America. In 1989, Congress provided $293 billion to the Savings and Loan industry.

The Alliance for Retired Americans urges the Senate to pass H.R. 397 without delay. This legislation will help to rescue troubled multiemployer pension plans and protect the earned pension benefits of over one million hard-working Americans.