



COMPLIANCE | January 16, 2020

Union Pension Funding Crisis Enter Decade

The latest appeal for union pension benefit reductions could result in more than 20,000 mus from 2% to 40% in their monthly benefits.

Reported by JOHN MANGANARO

In new commentary shared with PLANSPONSOR, Israel Goldowitz, partner with the Wa financial hardship faced by the American Federation of Musicians and Employers' Pens broader problem.

As Goldowitz explains, the U.S. Treasury Department has received an application from Musicians and Employers' Pension Fund to suspend benefits, based on authorities gra Pension Reform Act of 2014. The plan's suspension application is the latest of more tha multiemployer plans.

So far, Goldowitz says, the applications have mainly covered workers in transportation upwards of 120 plans in a number of industries are considered "critical and declining," expected to run out of money within 20 years. Such plans, under the 2014 funding refc that would prevent outright insolvency.

According to a statement from the Musicians' union, more than 20,000 musicians coul the plan. The vast majority face reductions ranging from 0% to 20%, while fewer than 1 the range of 20% to 40%. In cases like this, the Treasury must approve or deny the ben conferring with the U.S. Department of Labor and the Pension Benefit Guaranty Corpo Goldowitz once served as chief counsel. Once approved, the suspension proposal goes beneficiaries for a vote.

While it might seem unlikely that pension beneficiaries would vote in favor of benefit cuts, that is what happened across the U.S. Votes in favor of benefit reductions are cast based on a simple comparison: a guaranteed monthly benefit limit that will be paid out by the PBGC (which insures both corporate pensions) is about \$36 per month per year of service, or about \$13,000 annually. This amount is far less than the PBGC single-employer guarantee of about \$65,000, and the level of the benefit to be paid after a proposed reduction. And unlike the single-employer plan, as observes, the multiemployer guarantee is not adjusted for inflation.

“Worse, the PBGC’s multiemployer insurance fund is itself projected to become insolvent, warns. “At that point, there will be no backstop for plans that fail or for the 1.3 million people who rely on them. That includes 400,000 people in the Teamsters Central States plan alone.”

Goldowitz says it is no surprise that Congress has picked up on this challenge, given that the crisis is a bipartisan issue. However, consensus on a solution remains elusive, even with [the lobbying efforts of his](#) business leaders. Unlike [the approach favored by Democrats](#) in the House of Representatives, which proposes a government-backed loan program to assist troubled union pension, the [Republican-led](#) approach would permit the partition of such plans and would require accounting reforms.

“Either proposal would involve a cost to taxpayers, with interest groups citing various fiscal impacts. Lewis Act proponents [mainly Democrats] point out that retiree spending has a multiplier effect: as income is spent quickly on goods and services, keeping others at work and generating jobs, a multiplier may be reached, but we can only speculate when that may happen or what a compromise would look like. Issues should be of concern to companies that participate in multiemployer defined benefit plans and their retirees. They should also be of interest to those seeking to lend to or acquire such companies.

To gauge public awareness and sentiment around multiemployer pension plans and the crisis, the Retirement Security Coalition recently commissioned a bipartisan poll among 2,700 likely voters. The poll was by the multiemployer pension crisis. According to the Coalition, the results clearly indicate the severity of the pension crisis, as well as the urgent need for Congressional action.

“The survey results show broad voter support for protecting retirees and Congress need to act to protect multiemployer pension plans,” the Coalition reports. “Voters said overwhelmingly (92%) that a strong pension system is essential to our economy. The survey found that three-quarters of voters rely on pensions and support Congress to take action. Voters support Congress taking action through a comprehensive approach including additional employer support, government assistance and additional retiree services.”

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