PRIVATE PENSIONS
Long-standing Challenges Remain for Multiemployer Pension Plans

What GAO Found
While the Employee Retirement Income Security Act of 1974 funding rules apply to most private sector pension plans, the nation’s collectively bargained multiemployer plans have a unique structure intended to provide a certain level of plan stability and benefit portability while mitigating the risks to their insurer, PBGC. Multiemployer plans provide portable benefits to workers who change employers, distribute risk among participating employers and participants, and continue to operate long after an individual employer, or sponsor, goes out of business, because their framework makes remaining employers jointly liable for funding benefits for all vested participants. Multiemployer plans also pay a low insurance premium to PBGC because they typically do not require PBGC assistance. When needed, PBGC will provide loans to a plan that becomes insolvent and can no longer pay benefits at the level guaranteed by PBGC. Since the inception of the multiemployer insurance program in 1980, PBGC has paid $500 million in financial assistance to 62 insolvent plans.

Multiemployer plans face ongoing funding and demographic challenges that potentially increase the financial burden on PBGC. According to PBGC, multiemployer plans have not been fully funded at the 100 percent or above level since 2000. Other challenges include continuing decreases in the number of these plans and an aging participant base. Further, a decline in collective bargaining in the United States has left few opportunities for plans to attract new employers and workers. As a result, the proportion of active participants paying into the fund to others who are no longer paying into the fund has decreased, thereby increasing plan liabilities and the likelihood that PBGC will have to provide financial assistance in the future.

View GAO-10-708T or key components. For more information, contact Charles A. Jeszeck at (202) 512-7215 or jeszeckc@gao.gov.