

March 2004

# PRIVATE PENSIONS

## Multiemployer Plans Face Short- and Long- Term Challenges



GAO

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Highlights of [GAO-GAO-04-423](#), a report to congressional requesters

### Why GAO Did This Study

Multiemployer-defined benefit pension plans, which are created by collective bargaining agreements covering more than one employer and generally operated under the joint trusteeship of labor and management, provide coverage to over 9.7 million of the 44 million participants insured by the Pension Benefit Guaranty Corporation (PBGC). The recent termination of several large single-employer plans—plans sponsored by individual firms—has led to millions of dollars in benefit losses for thousands of workers and left PBGC, their public insurer, an \$11.2 billion deficit as of September 30, 2003. The serious difficulties experienced by these single-employer plans have prompted questions about the health of multiemployer plans. This report provides the following information on multiemployer pension plans: (1) Trends in funding and worker participation, (2) PBGC's role regarding the plans' financial solvency, and (3) potential challenges to the plans' long-term prospects. GAO is making no recommendations.

[www.gao.gov/cgi-bin/gettrpt?GAO-04-423](http://www.gao.gov/cgi-bin/gettrpt?GAO-04-423).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara Bovbjerg at (202) 512-7215 or [bovbjergb@gao.gov](mailto:bovbjergb@gao.gov).

## PRIVATE PENSIONS

### Multiemployer Plans Face Short- and Long-Term Challenges

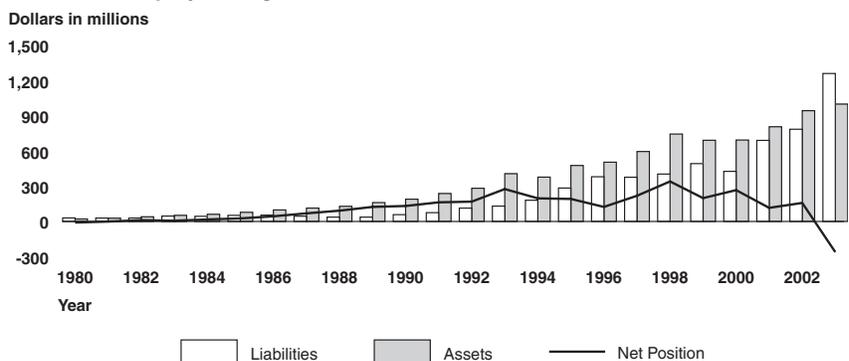
#### What GAO Found

Following 2 decades of relative financial stability, multiemployer plans as a group appear to have suffered recent and significant funding losses, while long-term declines in participation and new plan formation continue unabated. At the close of the 1990s, the majority of multiemployer plans reported assets exceeding 90 percent of total liabilities. Recently, however, stock market declines, coupled with low interest rates and poor economic conditions, appear to have reduced assets and increased liabilities for many plans. PBGC reported an accumulated net deficit of \$261 million for its multiemployer program in 2003, the first since 1981. Meanwhile, since 1980, the number of plans has declined from over 2,200 to fewer than 1,700 plans, and there has been a long-term decline in the total number of active workers.

PBGC monitors those multiemployer plans, which may, in PBGC's view, present a risk of financial insolvency. PBGC also provides technical and financial assistance to troubled plans and guarantees a minimum level of benefits to participants in insolvent plans. PBGC annually reviews the financial condition of plans to determine its potential insurance liability. Although the agency does not trustee the administration of insolvent multiemployer plans as it does with single-employer plans, it does offer them technical assistance and loans. PBGC loans have been rare, with loans to only 33 plans, totaling \$167 million since 1980.

Several factors pose challenges to the long-term prospects of the multiemployer system. Some are inherent to the multiemployer regulatory framework, such as the greater perceived financial risk and reduced flexibility for employers compared to other plan designs, and suggest that fewer employers will find such plans attractive. Also, the long-term decline of collective bargaining results in fewer new participants to expand or create new plans. Other factors threaten all defined benefit plans, including multiemployer plans: the growing trend among employers to choose defined contribution plans; the increasing life expectancy of workers, which raises the cost of plans; and continuing increases in employer health insurance costs, which compete with pensions for employer funding.

**PBGC Multiemployer Program Assets, Liabilities, and Net Position, 1980 – 2003**



Source: GAO analysis of PBGC data.

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## Abbreviations

DB	defined benefit
DC	defined contribution
ERISA	Employee Retirement Income Security Act
IRC	Internal Revenue Code
IRS	Internal Revenue Service
MPPAA	Multiemployer Pension Plan Amendments Act
NLRA	National Labor Relations Act
PBGC	Pension Benefit Guaranty Corporation

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United States General Accounting Office  
Washington, DC 20548

March 26, 2004

The Honorable John Boehner  
Chairman  
Committee on Education and the Workforce  
House of Representatives

The Honorable Sam Johnson  
Chairman  
Subcommittee on Employer-Employee Relations  
Committee on Education and the Workforce  
House of Representatives

Multiemployer pension plans, which are created by collective bargaining agreements covering more than one employer and generally operate under the joint trusteeship of labor and management, comprise an important segment of the nation's private employer pension system. These defined benefit (DB) pension plans—plans promising a benefit that is generally based on an employee's years of service and either a flat dollar amount or the employee's salary—cover over 9.7 million participants, representing about 22 percent of all workers and retirees insured by the Pension Benefit Guaranty Corporation (PBGC). The recent collapse and termination of several large single-employer plans—where individual employers are responsible for funding and administering the plan—have resulted in millions of dollars in benefit losses for thousands of workers and left PBGC, their public insurer, an \$11.2 billion deficit as of September 30, 2003. The serious difficulties experienced by these single-employer plans have prompted questions about the health of the nation's multiemployer-defined benefit plans.

Given the high financial stakes involved for both the employers and the millions of workers and retirees participating in multiemployer pension plans, you asked us to describe (1) trends in funding and worker participation in these plans; (2) PBGC's role regarding the plans' financial solvency; and (3) potential challenges to the plans' long-term prospects.

To determine the trends in the funded status of multiemployer-defined benefit plans, we analyzed Form 5500 disclosure statements and PBGC

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data. The Form 5500, which plans must file with the U. S. Department of Labor, is an important source of financial and other plan information on private pension plans collected on a regular basis.<sup>1</sup> Form 5500 provides important pension information, such as the number of plan participants and data on the financial condition of plans. However, the most recent Form 5500 data are from 2001, making it difficult to accurately discern recent trends. Although some data obtained from PBGC may be more recent, much of it is based on the Form 5500. This lack of comprehensive data makes it difficult to depict recent developments, particularly with regard to plan funding.

To determine PBGC's role regarding the financial stability of multiemployer plans, we reviewed the requirements under the Employee Retirement Income Security Act (ERISA) and the Multiemployer Pension Plan Amendments Act (MPPAA) of 1980. We reviewed PBGC procedures for identifying at-risk plans and for taking action to assist plans, discussed these actions with agency officials, and obtained statistics on PBGC multiemployer activities since 1980. To identify the major challenges to the future prospects of multiemployer plans, we reviewed pension literature and interviewed representatives in government, industry, and labor involved with such plans. We conducted our work from April 2003 through January 2004 in accordance with generally accepted government auditing standards.

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## Results in Brief

After 2 decades of financial stability, many multiemployer plans appear to have suffered recent and significant funding losses; meanwhile, long-term declines continue in terms of new plan formation and worker participation. At the close of the 1990s, the majority of multiemployer plans had reported assets exceeding 90 percent of total liabilities, with average funding rising to 105 percent in 2000. However, subsequent stock market declines, coupled with low interest rates and poor economic conditions have likely reduced the assets and increased liabilities for many multiemployer plans. Comprehensive funding data are not available to depict recent developments, but significant signs of funding weakness exist. In its 2003 Annual Report, PBGC estimated that underfunded multiemployer plans now face an aggregate unfunded liability reaching

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<sup>1</sup>See U.S. General Accounting Office, *Pension and Welfare Benefit Administration: Opportunities Exist for Improving Management of the Enforcement Program*, [GAO-02-232](#) (Washington, D.C.: Mar. 3, 2002).

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\$100 billion. While most multiemployer plans continue to provide benefits to retirees at unreduced levels, the agency has increased its forecast of the number of plans that will likely need financial assistance from 56 plans in 2001 to 62 in 2003. PBGC also reported that its multiemployer program had an accumulated net deficit of \$261 million at the end of 2003, the program's first deficit since 1981. Private survey data corroborate this trend, with one survey by an actuarial consulting firm showing a decline in the percentage of fully funded client plans from 83 percent in 2001 to 67 percent in 2002. Meanwhile, multiemployer plans have continued their steady, long-term decline in numbers and worker participation. The number of plans has dropped by a quarter since 1980 to fewer than 1,700, and only 5 new plans have been formed since 1992. The number of workers covered by multiemployer plans has also fallen by 1.4 million since 1980, with the percentage of the private sector labor force covered by multiemployer plans declining from 7.7 percent in 1980 to 4.1 percent in 2001.

PBGC monitors those multiemployer plans, which may, in PBGC's view, present a risk of financial insolvency. PBGC also provides technical and financial assistance to troubled plans and guarantees a minimum level of benefits to participants in insolvent plans. For example, PBGC annually reviews the financial condition of multiemployer plans to identify those that may have potential financial problems in the near future. Agency officials told us that troubled plans often solicit PBGC's technical assistance. Occasionally, plan officials ask PBGC to serve as a facilitator where the agency works with all the parties associated with the troubled plan to improve its financial status. Examples of such assistance by PBGC include facilitating the merger of several troubled plans into one stronger plan and the "orderly shutdown" of plans, allowing the affected employers to continue to operate and pay benefits until all liabilities are paid. Unlike its role in the single-employer program, where PBGC trustees weak plans and pays benefits directly to participants, PBGC does not take over the administration of multiemployer plans, but instead provides financial assistance in the form of loans when plans become insolvent and are unable to pay benefits at PBGC-guaranteed levels. Such financial assistance is comparatively rare; PBGC has made loans to only 33 multiemployer plans totaling \$167 million since 1980, compared with 296 trusteed terminations of single-employer plans and PBGC benefit payments of over \$4 billion in 2002-2003 alone. PBGC officials believe that the low frequency of PBGC financial assistance to multiemployer plans is likely due to features of the multiemployer insurance regulatory framework: (1) employers share the risk for providing benefits to all participants in the plan and not just their own employees and (2) benefit

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guarantees are set at a lower level for the multiemployer insurance program compared with the guarantees provided by the single-employer program. According to agency officials, these features encourage the affected parties to collaborate constructively to address a plan's financial difficulties.

A number of factors challenge the long-term prospects of the multiemployer plan system. Some are inherent to multiemployer plan design and regulatory framework, which employers may perceive as financially riskier and less flexible than other types of pension plans. For example, compared with single-employer plan, an employer participating in multiemployer plan cannot as easily adjust plan contributions in response to the firm's own financial circumstances. This is because contribution rates are often fixed for periods of time by the provisions of the collective bargaining agreement. Also, multiemployer sponsors may face the risk of additional costs if one or more sponsors are unable to fund their share of plan-vested benefits. The long-term decline of collective bargaining is another factor adversely affecting multiemployer plan growth, in that fewer employers and workers are available to provide opportunities for new plans to be created or existing ones to expand. As of 2003, union membership, a proxy for collective bargaining coverage, accounted for less than 9 percent of the private sector labor force and has been steadily declining since 1953. Finally, experts have identified other factors challenging the future prospects for defined benefit plans generally, including multiemployer plans. These factors include the growing trend among employers to choose defined contribution (DC) plans;<sup>2</sup> the increasing life expectancy of American workers, which will increase benefit costs; and continuing increases in health insurance costs, which will affect overall compensation costs, including pensions, for employers.

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## Background

Multiemployer plans are established pursuant to collectively bargained pension agreements negotiated between labor unions representing employees and two or more employers and are generally jointly

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<sup>2</sup>In a defined contribution plan, benefits are based on the contributions to and investment returns on a participant's individual account, and the participant, rather than the employer, bears the investment risk. An example of a defined contribution plan would be a 401(k) plan. PBGC does not insure defined contribution plans.

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administered by trustees from both labor and management.<sup>3</sup>

Multiemployer plans typically cover groups of workers in such industries as trucking, building and construction, and retail food sales. These plans provide participants limited benefit portability in that they allow workers the continued accrual of defined benefit pension rights when they change jobs, if their new employer is also a sponsor of the same plan. This arrangement can be particularly advantageous in industries like construction, where job change within a single industry is frequent over the course of a career. Multiemployer plans are distinct from single-employer plans, which are established and maintained by only one employer and where the plans may or may not be collectively bargained. Multiemployer plans also differ from so called multiple-employer plans that are not generally established through collective bargaining agreements and where many such plans have separate funding accounts for each employer.

Since the enactment of the National Labor Relations Act (NLRA),<sup>4</sup> in 1935, collective bargaining has been the primary means by which workers can negotiate, through unions, the terms of their pension plan. In 1935, NLRA required employers to bargain with union representatives over wages and other conditions of employment, and subsequent court decisions established that employee benefit plans could be among those conditions. The Taft Hartley Act amended NLRA to establish terms for negotiating such employee benefits and placed certain restrictions on the operation of any plan resulting from those negotiations. For example, employer contributions cannot be made to a union or its representative but must be made to a trust that has an equal balance of union and employer representation.<sup>5</sup>

Since its enactment in 1974, multiemployer defined benefit pensions have been regulated by the Employee Retirement Income Security Act (ERISA), which Congress passed to protect the interests of participants and

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<sup>3</sup>Multiemployer plans as used throughout this report refer to defined benefit pension plans. Note that there are other, multiemployer agreements that cover programs such as health and other welfare benefits and defined contribution pension plans.

<sup>4</sup>NLRA provides the basic framework governing private sector labor-management relations. NLRA provides employees the right to form unions and bargain collectively and requires employers to recognize employee unions that demonstrate support from a majority of employees and to bargain in good faith.

<sup>5</sup>29U.S.C. §186(c)(5).

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beneficiaries covered by private sector employee benefit plans. Title IV of ERISA created PBGC as a U. S. Government corporation to insure the pensions of participants and beneficiaries in private sector-defined benefit plans. In 1980, Congress enacted the Multiemployer Pension Plan Amendments Act (MPPAA) of 1980 to protect the pensions of participants in multiemployer plans by establishing a separate PBGC multiemployer plan insurance program and by requiring any employer wanting to withdraw from a multiemployer plan to be liable for its share of the plan's unfunded liability. This amount is based upon a proportional share of the plans' unfunded vested benefits.<sup>6</sup> Liabilities that cannot be collected from a withdrawn employer are "rolled over" and must eventually be funded by the plans remaining employers.

PBGC operates distinct insurance programs, for multiemployer plans and single-employer plans, which have separate insurance funds, different benefit guarantee rules, and different insurance coverage rules. The two insurance programs and PBGC's operations are financed through premiums paid annually by plan sponsors, investment returns on PBGC assets, assets acquired from terminated single employer plans, and by recoveries from employers responsible for underfunded terminated single employer plans.<sup>7</sup> Premium revenue totaled about \$973 million in 2003, of which \$948 million was paid into the single-employer program and \$25 million paid to the multiemployer program.<sup>8</sup>

Over the last few years, the finances of PBGC's single-employer insurance program have taken a severe turn for the worse. Although the program registered a \$9.7 billion accumulated surplus as recently as 2000, it reported a \$11.2 billion accumulated deficit for fiscal year 2003, primarily brought on by the termination of a number of large underfunded pension

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<sup>6</sup>Vested benefits are benefits that are no longer subject to risk of forfeiture. Unfunded vested benefits are the difference between the present value of a plan's vested benefits and the value of plan assets determined in accordance with ERISA, including claims of the plan for unpaid initial withdrawal liability and redetermination liability.

<sup>7</sup>PBGC receives no funds from federal tax revenues, but it is authorized under ERISA to borrow up to \$100 million from the federal treasury if it has inadequate resources to meet its responsibilities.

<sup>8</sup>Single-employer plans pay PBGC an annual flat-rate premium of \$19 per participant per year for pension insurance coverage. Plans that are underfunded, generally also have to pay PBGC an additional annual variable rate premium of \$9 per \$1,000 of underfunding for the additional exposure they create for the insurance program. In contrast, the only premium for multiemployer plans is a flat \$2.60 per participant per year.

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plans. Several underlying factors contributed to the severity of the plans' underfunded condition at termination, including a sharp decline in the stock market, which reduced plan asset values, and a general decline in interest rates, which increased the cost of terminating defined benefit pension plans.<sup>9</sup> Because of its accumulated deficit, the significant risk that other large underfunded plans might terminate and other structural factors, we designated PBGC's single-employer pension insurance program as a "high risk" program and added it to the list of agencies and major programs that we believe need urgent attention.<sup>10</sup>

In general, the same ERISA funding rules apply to both single and multiemployer defined benefit pension plans. However, there are some important differences. For example, while single-employer plan sponsors can adjust their pension contributions to meet their needs, within the overall set of ERISA and Internal Revenue Code (IRC) rules, individual employers in multiemployer plans cannot as easily adjust their plan contributions. For multiemployer plans, contribution levels are usually negotiated through the collective bargaining process and are fixed for the term of the collective bargaining agreement, typically 2 to 3 years. Benefit levels are generally also fixed by the contract or by the plan trustees. Employer contributions to multiemployer plans are typically made on a set dollar amount per hour of covered work. For many multiemployer plans, contributions are directly tied to the total number of hours worked, and thus, to the number of active plan participants. With other things being

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<sup>9</sup>See U.S. General Accounting Office, *Pension Benefit Guaranty Corporation: Single-Employer Insurance Program Faces Significant Long-Term Risks*, [GAO-04-90](#) (Washington, D.C.: Oct. 29, 2003). The relationship between plan liabilities and interest rates is similar to how bond prices respond to interest rate changes. As interest rates decrease, the estimated value of a pension liability increase as would the price of a bond. Although the value of bonds held for investment increases as interest rates fall, any new bond purchases will also have lower rates of return as measured by their yield to maturity. Thus, falling bond interest rates would normally increase the value of a plan's existing bond portfolio but decrease the bond portfolio's yield to maturity.

<sup>10</sup>See U.S. General Accounting Office, *Pension Benefit Guaranty Corporation Single-Employer Program: Long-term Vulnerabilities Warrant "High Risk" Designation*, [GAO-03-1050SP](#), (Washington, D.C.: July 23, 2003). Congress is currently considering legislation that would provide funding relief to certain single-employer and multiemployer pension funds.

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equal, the reduced employment of active participants will result in lower contributions and reduced plan funding.<sup>11</sup>

The U. S. employer-sponsored pension system has historically been an important component of total retirement income, providing roughly 18 percent of aggregate retirement income in 2000. However, millions of workers continue to face the prospect of retirement with no income from an employer-sponsored pension. The percentage of the workforce with pension coverage has been near 50 percent since the 1970s. Lower-income workers, part-time employees, employees of small businesses, and younger workers typically have lower rates of pension coverage. Retirees with pension incomes are more likely to avoid poverty. For example, 21 percent of retired persons without pension incomes had incomes below the federal poverty level, compared with 3 percent with pension incomes.<sup>12</sup> Of those workers covered by a pension, such coverage is increasingly being provided by defined contribution pension plans. Surveys have reported a worker preference for defined contribution plans, with employers citing worker preference for transparency of plan value and improved benefit portability. As of 1998, the most recent published data available, 27 percent of the private sector labor force was covered by a DC plan, as their primary pension plan, up from 7 percent in 1979.

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<sup>11</sup>Note that for single-employer pension plans that are collectively bargained, the contract typically focuses on the level of benefits to be provided, rather than the employer's contributions.

<sup>12</sup>See U.S. General Accounting Office, *Pension Plans: Characteristics of Persons in the Labor Force Without Pension Coverage*, [GAO/HEHS-00-131](#) (Washington, D.C.: Aug. 22, 2000).

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## The Financial Stability of Multiemployer Plans Has Likely Weakened Recently, While Long-term Declines in the Number of Plans and Participants Continue

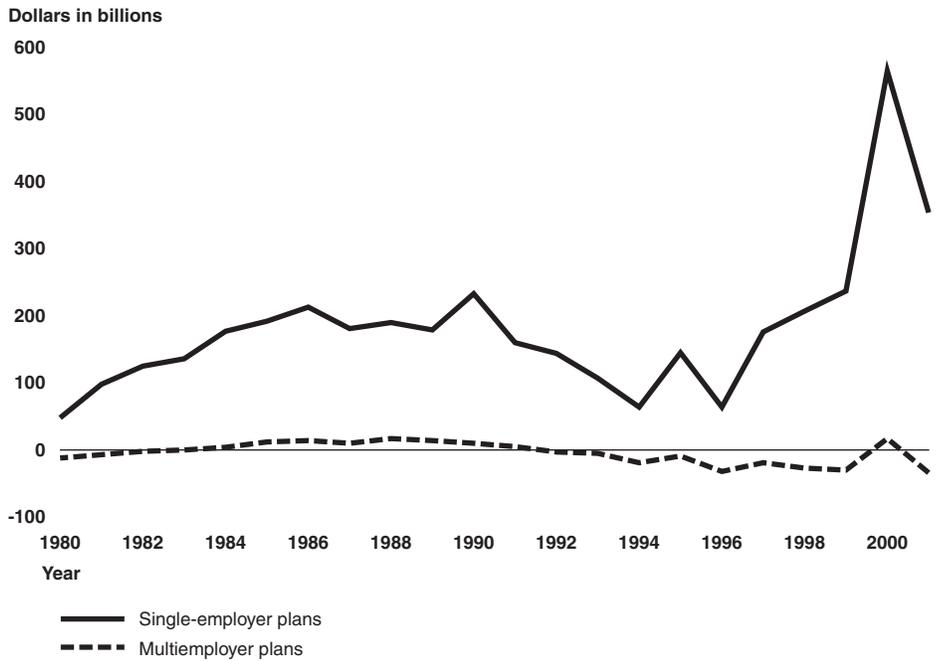
While multiemployer plan funding has exhibited considerable stability over the past 2 decades, available data suggest that many plans have recently experienced significant funding declines. Since 1980, aggregate multiemployer plan funding has been stable, with the majority of plans funded above 90 percent of total liabilities and average funding at 105 percent by 2000. Recently, however, it appears that a combination of stock market declines coupled with low interest rates and poor economic conditions have reduced the assets and increased the liabilities of many multiemployer plans. In PBGC's 2003 Annual Report, the agency estimated that total underfunding of underfunded multiemployer plans reached \$100 billion by year-end, from \$21 billion in 2000, and that its multiemployer program had recorded a year-end 2003 deficit of \$261 million, the first deficit in more than 20 years. While most multiemployer plans continue to provide benefits to retirees at unreduced levels, the agency has also increased its forecast of the number of plans that will likely need financial assistance, from 56 plans in 2001 to 62 plans in 2003. Private survey data are consistent with this trend, with one survey by an actuarial consulting firm showing the percentage of fully funded client plans declining from 83 percent in 2001 to 67 percent in 2002. In addition, long-standing declines in the number of plans and worker participation continue. The number of insured multiemployer plans has dropped by a quarter since 1980 to fewer than 1,700 plans in 2003, the latest data available. Although in 2001, multiemployer plans in the aggregate covered 4.7 million active participants, representing about a fifth of all defined benefit plan participants, this number has dropped by 1.4 million since 1980.

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## Multiemployer Plan Funding Remained Stable during the 1980s and 1990s

Aggregate funding for multiemployer pension plans remained stable during the 1980s and 1990s. By 2000, the majority of multiemployer plans reported assets exceeding 90 percent of total liabilities, with the average plan funded at 105 percent of liabilities. As shown in figure 1, the aggregate net funding of multiemployer plans grew from a deficit of about \$12 billion in 1980 to a surplus of nearly \$17 billion in 2000. From 1980 to 2000, multiemployer plan assets grew at an annual average rate of 11.7 percent, to about \$330 billion, exceeding the average 10.5 percent annual percentage growth rate of single-employer plan assets. During the same time period, liabilities for multiemployer and single-employer pensions grew at an average annual rate of about 10.2 percent and 9.9 percent, respectively.

**Figure 1: Aggregate Net Funding Position of PBGC-Insured DB Pension Plans, 1980-2001**



Source: GAO analysis of PBGC data.

A number of factors appear to have contributed to the funding stability of multiemployer plans, including:

*Investment Strategy*—Historically, multiemployer plans appear to have invested more conservatively than their single-employer counterparts. Although comprehensive data are not available, some pension experts have suggested that defined benefit plans in the aggregate are more than 60 percent invested in equities,<sup>13</sup> which are associated with greater risk and volatility than many fixed-income securities. Experts have stated that, in contrast, equity holdings generally comprise 55 percent or less of the assets of most multiemployer plans.<sup>14</sup>

<sup>13</sup>Testimony of J. Mark Iwry, former Benefits Tax Counsel, U.S. Department of the Treasury, before the House Committee on Education and the Workforce, October 29, 2003.

<sup>14</sup>Testimony of John Leary, Esq., Partner, O’Donoghue and O’Donoghue, Washington, D.C., before the House Subcommittee on Employer-Employee Relations, June 4, 2003.

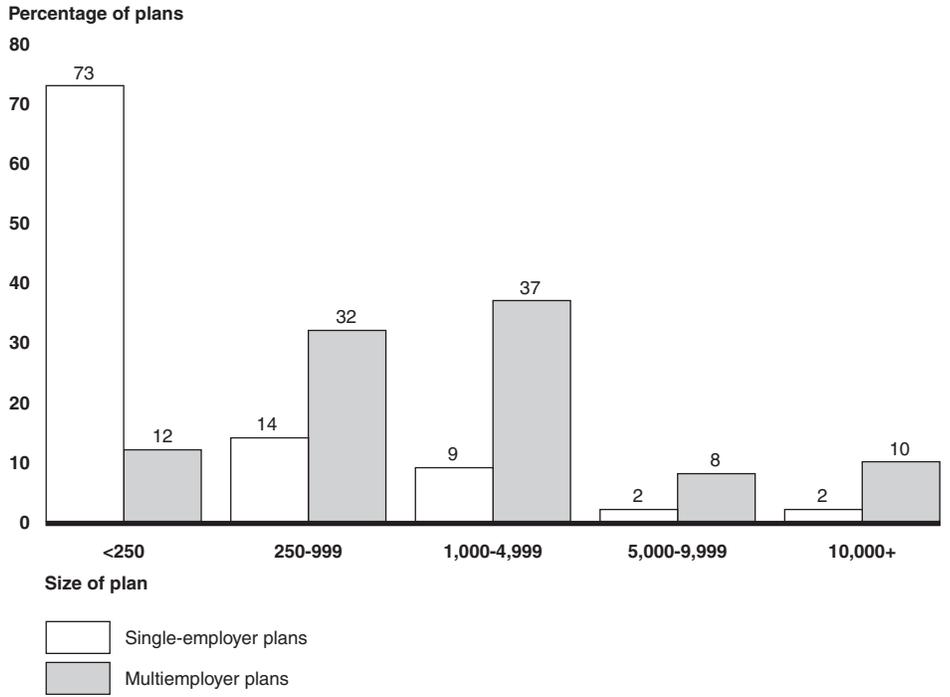
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*Contribution Rates*—Unlike single-employer plans, multiemployer plan funds receive steady contributions from employers because those amounts generally have been set through multiyear collective bargaining contracts. Participating employers, therefore, have less flexibility to vary their contributions in response to changes in firm performance, economic conditions, and other factors. This regular contribution income is in addition to any investment return and helps multiemployer plans offset any declines in investment returns.

*Risk Pooling*—The pooling of risk inherent in multiemployer pension plans may also have buffered them against financial shocks and recessions since the contributions to the plans are less immediately affected by the economic performance of individual employer plan sponsors. Multiemployer pension plans typically continue to operate long after any individual employer goes out of business because the remaining employers in the plan are jointly liable for funding the benefits of all vested participants.

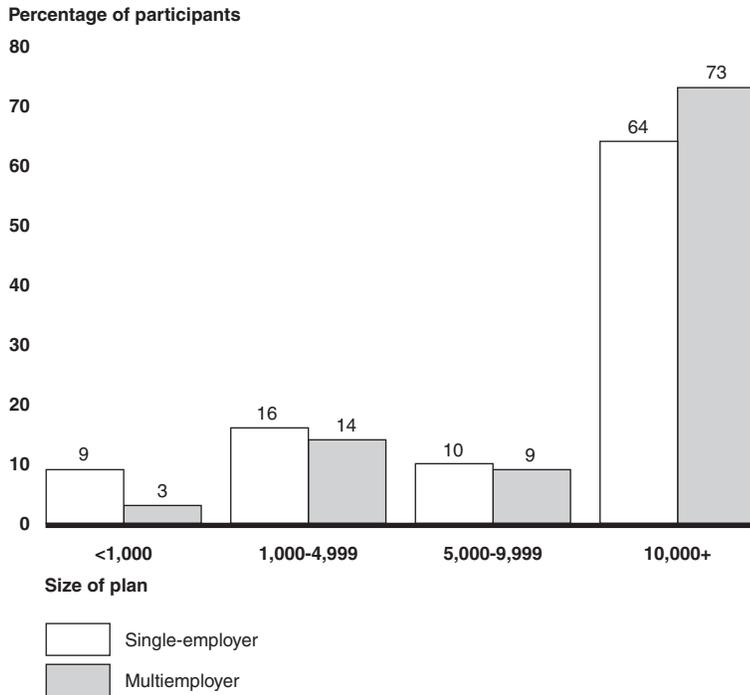
*Greater Average Plan Size*—The stability of multiemployer plans may also be due in part to their size. Large plans (1,000 or more participants) constitute a greater proportion of multiemployer plans than of single-employer plans. (See figs. 2 and 3.) While 55 percent of multiemployer plans are large, only 13 percent of single-employer plans are large and 73 percent of single-employer plans have had fewer than 250 participants, as shown in figure 2. However, distribution of participants by plan size for multiemployer and single-employer plans is more comparable, with over 90 percent of both multiemployer and single-employer participants in large plans, as shown in figure 3.

**Figure 2: Distribution of PBGC-Insured DB Pension Plans by Number of Plan Participants, 2003**



Source: GAO analysis of PBGC data.

**Figure 3: Distribution of Participants of PBGC-Insured DB Pension Plans by Plan Size, 2003**



Source: GAO analysis of PBGC data.

## Limited Data Suggest the Funded Status of Multiemployer Plans Has Declined Since 2000

Although data limitations preclude any comprehensive assessment, available evidence suggests that since 2000, many multiemployer plans have recently experienced significant reductions in their funded status. PBGC estimated in its 2003 Annual Report that the aggregate deficit of underfunded multiemployer plans had reached \$100 billion by year-end, up from a \$21 billion deficit at the start of 2000. In addition, PBGC reported its own multiemployer insurance program deficit of \$261 million for fiscal year 2003, the first deficit since 1981 and its largest ever. (See fig. 4.) While most multiemployer plans continue to provide benefits to retirees at unreduced levels, PBGC has also reported that the deficit was primarily caused by new and substantial probable losses, increasing the number of plans it classifies as likely requiring financial assistance in the near future.

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from 58 plans with expected liabilities of \$775 million in 2002 to 62 plans with expected liabilities of \$1.25 billion in 2003.<sup>15</sup>

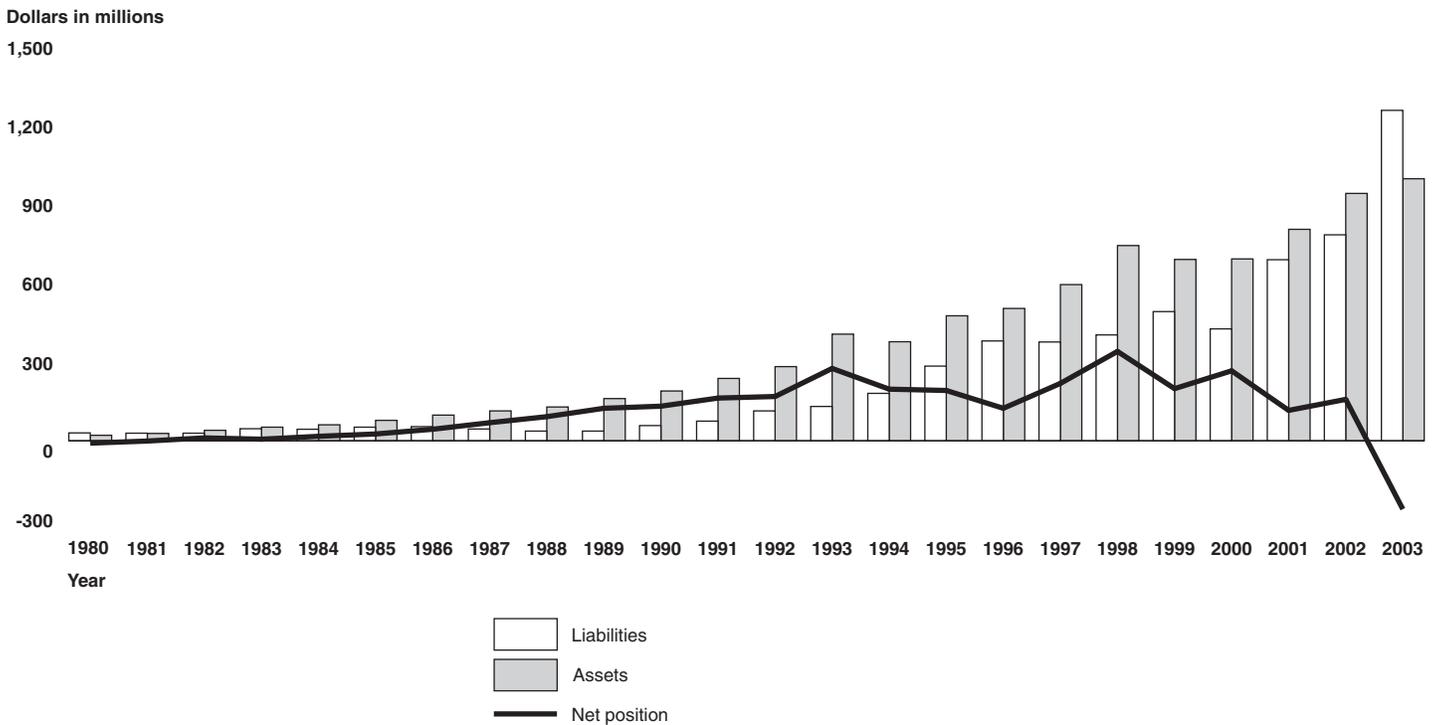
Private survey data and anecdotal evidence are consistent with this assessment of multiemployer funding losses. One survey by an actuarial consulting firm showed that the percentage of its multiemployer client plans that were fully funded declined from 83 percent in 2001 to 67 percent in 2002.<sup>16</sup> Other, more anecdotal evidence suggests increased difficulties for multiemployer plans. Discussions with plan administrators have indicated that there has been an increase in the number of plans with financial difficulties in recent years, with some plans reducing or temporarily freezing the future accruals of participants. In addition, IRS officials recently reported an increase in the small number of multiemployer plans (less than 1 percent of all multiemployer plans) requesting tax-specific waivers that would provide plans relief from current funding shortfall requirements.

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<sup>15</sup>In 2002, of the 58 plans PBGC expected to need future financial assistance, 23 received assistance in that year. Similarly, in 2003, of the 62 plans PBGC expected to need future financial assistance, 24 received assistance in that year.

<sup>16</sup>Segal Benefits, Compensation and HR Consulting, SEGAL Survey, *Effects of "The Perfect Storm" Begin to Emerge: Erosion of the Funded Position of Multiemployer Pension Plans*, Spring 2003.

**Figure 4: PBGC Multiemployer Program Assets, Liabilities, and Net Position, 1980-2003**



Source: GAO analysis of PBGC data.

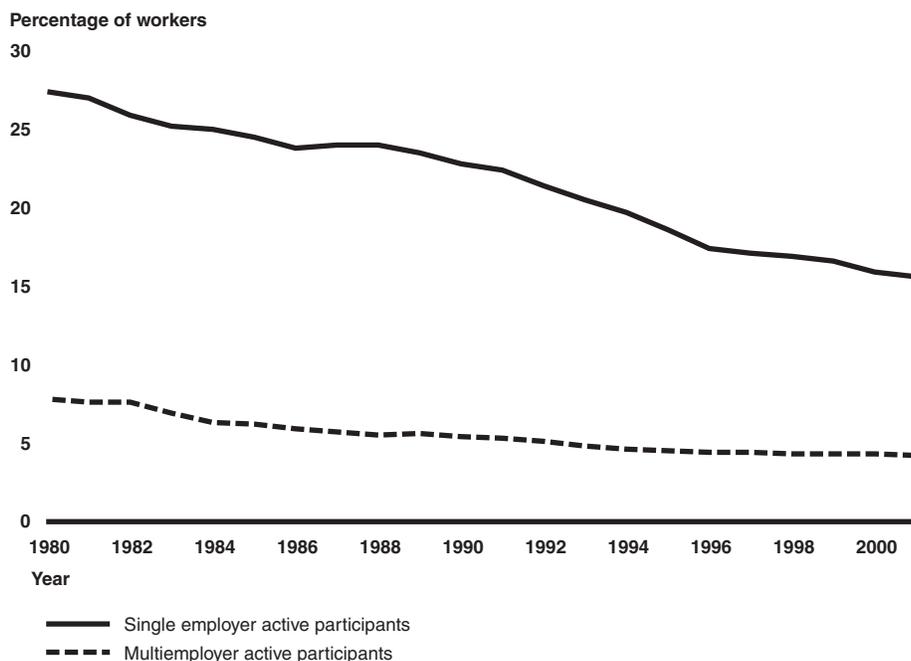
As with single-employer plans, falling interest rates coincident with stock market declines and generally weak economic conditions have contributed to the funding difficulties of many multiemployer plans. The decline in interest rates in recent years has increased pension plan liabilities for DB plans in general, because their liability for future promised benefits increases when computed using a lower interest rate. At the same time, declining stock markets decreased the value of any equities held in multiemployer plan portfolios to meet those obligations. Finally, because multiemployer plan contributions are usually based on the number of hours worked by active participants, any reduction in their employment will reduce employer contributions to the plan.

### Multiemployer Plans Are Experiencing Long-term Declines in Plan Formation and Worker Participation

Over the past 2 decades, the multiemployer system has experienced a steady decline in the number of plans and in the number of active participants. In 1980, there were 2,244 plans and by 2003 the number had fallen to 1,631, a decline of about 27 percent. While a portion of the decline in the number of plans can be explained by consolidations through

mergers, few new plans have been formed, only 5, in fact, since 1992. Meanwhile, the number of active multiemployer plan participants has declined both in relative and absolute terms. By 2001, only about 4.1 percent of the private sector workforce was comprised of active participants in multiemployer pension plans, down from 7.7 percent in 1980 (see fig. 5), with the total number of active participants decreasing from about 6.1 million to about 4.7 million.<sup>17</sup>

**Figure 5: PBGC-Insured Active Participants as a Percentage of Private Sector Wage and Salary Workers, 1980-2001**



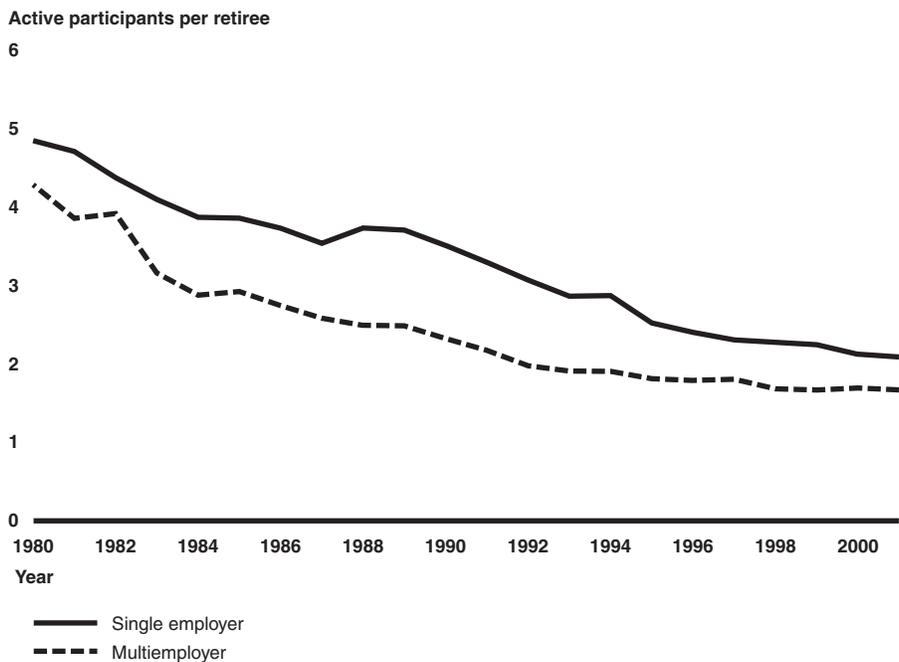
Source: GAO analysis of PBGC data.

Finally, as the number of active participants has declined, the number of retirees increased—from about 1.4 million to 2.8 million, and this increase had led to a decline in the ratio of active (working) participants to retirees in multiemployer plans. By 2001, there were about 1.7 active participants for every retiree, compared with 4.3 in 1980. (See fig. 6.) While the trend is also evident among single-employer plans, the decline in the ratio of active

<sup>17</sup>A similar decline was observed for active participants of single-employer plans, with the total falling from 27.3 percent of the private sector labor force in 1980 to 15.5 by 2001.

workers to retirees affects multiemployer funding more directly because employer contributions are tied to active employment.

**Figure 6: Number of Active Participants per Retiree, 1980-2001**



Source: GAO analysis of PBGC data.

## PBGC Monitors Multiemployer Plans for Financial Problems, Provides Technical and Financial Assistance, and Guarantees a Minimum Level of Benefits

PBGC's role regarding multiemployer plans includes monitoring plans for financial problems, providing technical and financial assistance to troubled plans, and guaranteeing a minimum level of benefits to participants in insolvent plans. For example, PBGC annually reviews the financial condition of multiemployer plans to identify those that may have potential financial problems in the near future. Agency officials told us that troubled plans often solicit their technical assistance since under the multiemployer framework, affected parties have a vested interest in a plan's survival. Occasionally, PBGC is asked to serve as a facilitator where the agency works with all the parties associated with the troubled plan to improve its financial status. Examples of such assistance by PBGC include facilitating the merger of troubled plans into one stronger plan and the "orderly shutdown" of plans, allowing the affected employers to continue to operate and pay benefits until all liabilities are paid. Unlike its role in the single-employer program where PBGC trustees weak plans and pays

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benefits directly to participants, PBGC does not take over the administration of multiemployer plans, but instead, upon application, provides financial assistance in the form of loans when plans become insolvent and are unable to pay benefits at PBGC-guaranteed levels. Such financial assistance is infrequent; for example, PBGC has made loans totaling \$167 million to 33 multiemployer plans since 1980 compared with 296 trustee terminations of single-employer plans and PBGC benefit payments of over \$4 billion in 2002-2003 alone. PBGC officials believe that the low frequency of PBGC financial assistance to multiemployer plans is likely due to specific features of the multiemployer insurance regulatory framework: (1) the employers sponsoring the plan share the risk for providing benefits to all participants in the plan and (2) benefit guarantees are set at a lower level for the multiemployer insurance program compared with the guarantees provided by the single-employer program. Agency officials say that together these features encourage the affected parties to collaborate on their own to address the plan's financial difficulties.

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### PBGC's Role of Monitoring Plans and Identifying Those at Risk Is Similar for Its Single-Employer and Multiemployer Programs

Several of PBGC's functions regarding its multiemployer program and its single-employer program are similar. For example, under both programs PBGC monitors the financial condition of all plans to identify those that are at-risk of requiring financial assistance. The agency maintains a database of financial information about such plans that draws its data from both PBGC premium filings and the Form 5500.<sup>18</sup> Using an automated screening process<sup>19</sup> that measures each plan against funding and financial standards, the agency determines which plans may be at risk of termination or insolvency. For both, PBGC also annually identifies plans that it considers probable or reasonably possible liabilities and

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<sup>18</sup>Form 5500 is a disclosure form that private sector employers with qualified pension plans are required to file with IRS, Labor's Employee Benefit Security Administration, and PBGC. IRS administers and enforces tax code provisions concerning private pension plans. Labor's Employee Benefit Security Administration enforces ERISA requirements regarding disclosure and other issues, and PBGC insures the benefits of participants in most private sector-defined benefit pension plans that are eligible for preferential tax treatment.

<sup>19</sup>The screening process uses five ratios as indexes of plans' financial health. These ratios are (1) the ratio of active participants (those for whom plans are continuing to make contributions) to other participants, (2) the ratio of assets to the present value of vested benefits, (3) the ratio of plan assets to annual benefit payments, (4) the ratio of annual contributions to benefit distributions, and (5) the ratio of plan assets to the present value of retired participants' benefits.

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enumerates their aggregate unfunded liabilities in the agency's annual financial statements for each program.<sup>20</sup>

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## PBGC Provides Technical Assistance to Troubled Plans and Loans to Insolvent Ones

The type of assistance PBGC provides to troubled plans through its multiemployer program is shaped to a degree by the program's definition of the "insurable event." PBGC insures against multiemployer plan insolvency. A multiemployer plan is insolvent when its available resources are not sufficient to pay the level of benefits at PBGC's multiemployer guaranteed level for 1 year. In such cases, PBGC will provide the needed financial assistance in the form of a loan. If the plan recovers from insolvency, it must begin repaying the loan on a commercially reasonable schedule in accordance with regulations. Under MPPAA, unlike its authority towards single-employer plans, PBGC does not takeover or otherwise assume responsibility for the liabilities of a financially troubled multiemployer plan.<sup>21</sup>

PBGC sometimes provides technical assistance to help multiemployer plan administrators improve their funding status or for help on other issues. Plan administrators may contact PBGC's customer service representatives at designated offices to obtain assistance on such matters as premiums, plan terminations, and general legal questions related to PBGC. Agency officials told us that on a few occasions PBGC has worked with plan administrators to facilitate plan mergers, "orderly shutdowns," and other arrangements to protect plan participants' benefits. For example, in 1997, PBGC worked with the failing Local 675 Operating Engineers Pension Fund and the Operating Engineers Central Pension Fund to effect a merger of the two plans.<sup>22</sup> However, PBGC officials also told us that the

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<sup>20</sup>PBGC also identifies plans as "Remotes-Watch List Plans." PBGC deems these plans as having a remote probability of future liability. "Watch List Plans" are a subgroup of remotes that PBGC deems to merit monitoring for movement to a higher risk classification. PBGC officials said they use generally accepted accounting principles in valuing and reporting these liabilities on PBGC financial statements.

<sup>21</sup>In contrast, under its single-employer program, the insurable event can be a plan termination. In fact, PBGC can terminate a troubled plan and assume the plan's financial responsibilities before the plan is insolvent, paying benefits at the single-employer program guaranteed level directly to plan participants.

<sup>22</sup>According to PBGC records, the merger allowed Local 675 plan participants to receive the full amount of their earned benefits, which was about double their guaranteed benefits. The merger also enabled the employers in the plan to remain competitive and it reduced expected PBGC losses by \$5 million.

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majority of mergers are crafted by private sector parties and have no substantial PBGC involvement.

PBGC has also on occasion assisted in the orderly shutdown of plans. For example, agency officials told us that, in 2001, they helped facilitate the shutdown of the severely underfunded Buffalo Carpenters' Pension Fund. PBGC has the authority to approve certain plan rules governing withdrawal liability payments<sup>23</sup> and did so in this case approving the plan's request to lower its annual payments, which made it possible for the employers to remain in business and pay benefits until all liabilities were paid.<sup>24</sup>

In those cases where a multiemployer plan cannot pay guaranteed benefits, PBGC provides financial assistance in the form of a loan to allow the plan to continue to pay benefits at the level guaranteed by PBGC. A multiemployer plan need not be terminated to qualify for PBGC loans, but must be insolvent and is allowed to reduce or suspend payment of that portion of the benefit that exceeds the PBGC guarantee level. The number of loans and amount of financial assistance from PBGC to multiemployer plans has been small in comparison to the benefits paid out under its single-employer program. Since 1980, the agency has provided loans to 33 plans totaling \$167 million. In 2003, PBGC provided \$5 million in loans to 24 multiemployer plans.<sup>25</sup> This compares with 296 trustee terminations

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<sup>23</sup>Under 29 U.S.C. § Section 1404, PBGC has authority to approve special plan rules that would change the amount of an employer's annual withdrawal liability payments. Withdrawal liability is the financial liability imposed on an employer that withdraws from multiemployer plan. Although there are a number of allowed methods for computing the liability, in essence, it consists of determining the employer share of liability for vested benefits so that the value of all employer liabilities when added to plan assets equals the total vested benefits.

<sup>24</sup>PBGC has also helped plans to work out other types of arrangements. In 1994, PBGC helped work out an agreement with the Amalgamated Men's and Boy's Clothing Pension Fund to freeze worker benefit accruals while continuing to allow employers to make contributions to the plan. Officials told us that this made it possible for employers to (1) remain in business, (2) pay down their withdrawal liability over time, and (3) pay previously accrued benefits. Officials told us that without the agency's involvement, participants would not have received their full benefits, and the businesses might have failed. In addition, PBGC officials said that they would likely have had to provide a greater amount of financial assistance to the affected plans.

<sup>25</sup>Of the 33 plans that have ever received financial assistance (loans) to pay insured benefits, 24 received assistance in 2003, 7 merged with other healthier plans, 1 purchased an annuity from a private sector insurance company and terminated, transferring benefit obligations to the insurance company and 1 plan returned to solvency and repaid the principal amount of PBGC financial assistance provided.

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of single-employer plans and PBGC benefit payments of over \$4 billion to single-employer plan beneficiaries in 2002 and 2003 alone.<sup>26</sup>

PBGC officials say that this lower frequency of financial assistance is primarily due to key features of the multiemployer regulatory framework. First, in comparison to that governing the single-employer program, the regulatory framework governing multiemployer plans places greater financial risks on employers and workers and relatively less on PBGC. For example, in the event of the bankruptcy of an employer in a multiemployer plan, the remaining employers in the plan remain responsible for funding all plan benefits. Under the single-employer program, a comparable employer bankruptcy could leave PBGC responsible for any plan liabilities up to the PBGC-guaranteed level. In addition, the law provides a disincentive for employers seeking to withdraw from an underfunded plan by imposing a withdrawal liability based on its share of the plan's unfunded vested benefits.<sup>27</sup> Another key feature is that multiemployer plan participants also bear greater risk than their single-employer counterparts because PBGC guarantees benefits for multiemployer pensioners at a much lower dollar amount than for single-employer pensioners: about \$13,000 for 30 years of service for the former compared with about \$44,000 annually per retiree at age 65 for the latter.<sup>28</sup> PBGC officials explained that this greater financial risk on employers and lower guaranteed benefit level for participants in practice creates incentives for employers, participants, and their collective bargaining representatives to avoid insolvency and to collaborate in trying to find solutions to the plan's financial difficulties.

The smaller size of PBGC's multiemployer program might also contribute to the lower frequency of assistance. The multiemployer program's \$1 billion in assets and \$1.3 billion in liabilities accounts for a relatively

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<sup>26</sup>The number of trustee terminated plans is based on the fiscal year that PBGC trustee the plans, rather than the fiscal year of the plan termination.

<sup>27</sup>Congress is currently considering a proposal that would revise the current requirements concerning withdrawal liability for certain plans, shifting some of those liabilities to PBGC.

<sup>28</sup>Under the single-employer program, the maximum guarantee for plans terminating in 2004 is \$44,386.32 yearly (\$3,698.77 monthly) for a single life annuity beginning at age 65. The maximum is adjusted downward for retirees younger than age 65. Under the multiemployer program, PBGC guarantees the first \$11 of monthly accrual and 75 percent of the next \$33 of monthly accrual, for a maximum monthly accrual of \$35.75 per month times the years of credited service. For a participant with 30 years of service under the plan, the maximum annual PBGC guaranteed benefit would be \$12,870. Workers with less than 30 years service would receive a lower maximum guaranteed benefit.

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small portion of PBGC's total assets and liabilities, representing less than 3 percent of the total. Further, the multiemployer program covers just 22 percent of all defined benefit plan participants. There are also many fewer plans in the multiemployer program, about 1,700, as compared with about 30,000 single-employer plans. Other things equal, there are fewer opportunities for potential PBGC assistance to multiemployer plans than to single-employer plans.<sup>29</sup>

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## A Number of Factors Challenge the Long-term Prospects of the Multiemployer Defined Benefit System

A number of factors pose challenges to the long-term prospects of the multiemployer pension plan system. Some of these factors are specific to the features and nature of multiemployer plans, including a regulatory framework that some employers may perceive as financially riskier and less flexible than those covering other types of pension plans. For example, compared with a single-employer plan, an employer covered by a multiemployer plan cannot easily adjust annual plan contributions in response to the firm's own financial circumstances. Collective bargaining itself, a necessary aspect of the multiemployer plan model and another factor affecting plans' prospects, has also been in long-term decline, suggesting fewer future opportunities for new plans to be created or existing ones to expand. As of 2003, union membership, a proxy for collective bargaining coverage, accounted for less than 9 percent of the private sector labor force and has been steadily declining since 1953. Experts have identified other challenges to the future prospects of defined benefit plans generally, including multiemployer plans. These include the growing trend among employers to choose defined contribution plans over DB plans, including multiemployer plans, the continued growing life expectancy of American workers, resulting in participants spending more years in retirement, thus increasing benefit costs, and increases in employer-provided health insurance costs, which are increasing employers' total compensation costs generally, making them less willing or able to increase elements of compensation, like wages or pensions.

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<sup>29</sup>See U.S. General Accounting Office, *Pension Benefit Guaranty Corporation: Single Employer Pension Insurance Program Faces Significant Long-Term Risks*, GAO-04-90 (Washington, D.C.: October 2003).

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## Certain Features of the Current Regulatory Framework and the Decline of Collective Bargaining May Discourage Future Plan Growth

Some factors that raise questions about the long-term viability of multiemployer plans are specific to certain features of multiemployer plans themselves, including features of the regulatory framework that some employers may well perceive as less flexible and financially riskier than the features of other types of pension plans. For example, an employer covered by a multiemployer pension plan typically does not have the funding flexibility of a comparable employer sponsoring a single-employer plan. In many instances, the employer covered by the multiemployer plan cannot as easily adjust annual plan contributions in response to the firm's own financial circumstances. This is because contribution rates are often fixed for periods of time by the provisions of the collective bargaining agreement. Employers that value such flexibility might be less inclined to participate in a multiemployer plan. Employers in multiemployer plans may also face greater financial risks than those in other forms of pension plans. For example, an employer sponsor of a multiemployer plan that wishes to withdraw from the plan is liable for its share of pension plan benefits not covered by plan assets upon withdrawal from the plan, rather than when the plan terminates.<sup>30</sup> Employers in plans with unfunded vested benefits face an immediate withdrawal liability that can be costly, while employers in fully funded plans face the potential of costly withdrawal liability if the plan becomes underfunded in the future.<sup>31</sup> Thus, an employer's pension liabilities become a function not only of the employer's own performance but also the financial health of other employer plan sponsors. These additional sources of potential liability can be difficult to predict, increasing employers' level of uncertainty and risk. Some employers may hesitate to accept such risks if they can sponsor other plans that do not have them, such as 401(k) type defined contribution plans.<sup>32</sup>

The future growth of multiemployer plans is also predicated on the future growth prospects of collective bargaining. Collective bargaining is an inherent feature of the multiemployer plan model. Collective bargaining, however, has been declining in the United States since the early 1950s.

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<sup>30</sup>Special provisions establish specific withdrawal liability rules for some industries. For example, construction firms no longer operating in a geographic area are exempt from withdrawal liability.

<sup>31</sup>Also, employers may become liable for a portion of benefits accrued by employees of participating employers that become bankrupt.

<sup>32</sup>A 401(k) plan is one type of defined contribution plan that operates as a salary reduction arrangement under Section 401(k) of the Internal Revenue Code.

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Currently, union membership, a proxy for collective bargaining coverage, accounts for less than 9 percent of the private sector labor force. In 1980, union membership accounted for about 19 percent of the civilian workforce and about 27 percent of the civilian workforce in 1953.

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### Multiemployer Plans Are Limited by the Same Factors Affecting All Defined Benefit Plans

Pension experts have suggested a variety of challenges faced by today's defined benefit pension plans, including multiemployer plans.<sup>33</sup> These include the continued general shift away from DB plans to defined contribution plans, and the increased longevity of the U.S. population, which translates into a lengthier and more costly retirement. In addition, the continued escalation of employer health insurance costs has placed pressure on the compensation costs of employers, including pensions.

Employers have tended to move away from DB plans and towards DC plans since the mid 1980s. The number of PBGC-insured defined benefit plans declined from 97,683 in 1980 to 31,135 in 2002. (See fig. 7.) The number of defined contribution plans sponsored by private employers nearly doubled from 340,805 in 1980 to 673,626 in 1998.<sup>34</sup> Along with this continuing trend to sponsoring DC plans, there has also been a shift in the mix of plans that private sector workers participate. Labor reports that the percentage of private sector workers who participated in a primary DB plan has decreased from 38 percent in 1980 to 21 percent by 1998, while the percentage of such workers who participated in a primary DC plan has increased from 8 to 27 percent during this same period. Moreover, these same data show that, by 1998, the majority of active participants (workers participating in their employer's plan) were in DC plans, whereas nearly 20 years earlier the majority of participants were in DB plans.<sup>35</sup> Experts have suggested a variety of explanations for this shift, including the greater risk borne by employers with DB plans, greater administrative costs and more onerous regulatory requirements, and that employees more easily understand and favor DC plans. These experts have also noted considerable employee demand for plans that state benefits in the form of

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<sup>33</sup>*Strengthening Pension Security: Examining the Health and Future of Defined Benefit Pension Plans*, hearing before the Subcommittee on Employer-Employee Relations of the House Committee on Education and Workforce, (Washington D.C.: June 4, 2003).

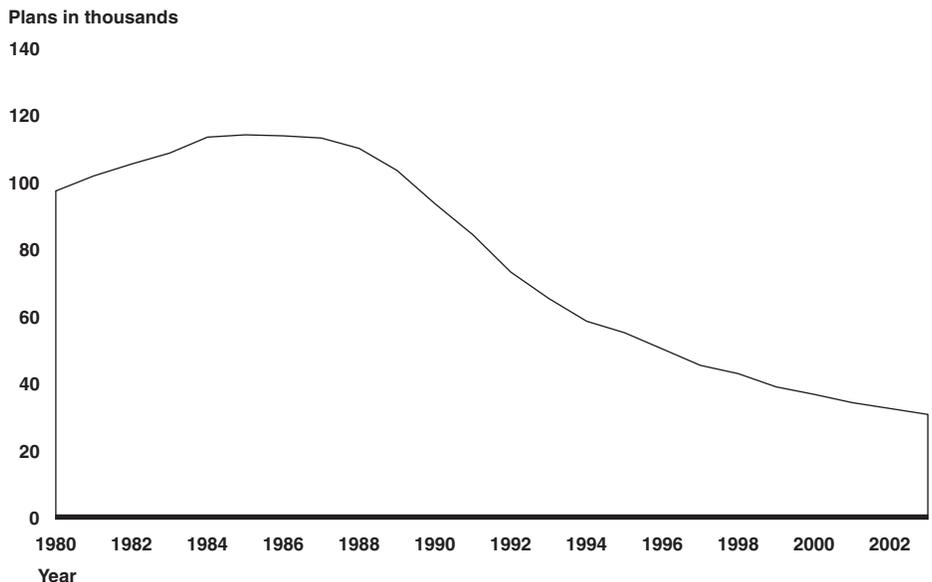
<sup>34</sup>The most recent year for which the Department of Labor has issued its *Private Pension Plan Bulletin: Abstract Of Form 5500 Annual Reports*.

<sup>35</sup>See U.S. General Accounting Office, *Private Pensions: Participants Need Information on Risks They Face in Managing Pension Assets at and during Retirement*, [GAO-03-810](#) (Washington, D.C.: July 2003).

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an account balance and emphasize portability of benefits, such as is offered by 401(k) type defined contribution pension plans.

**Figure 7: Number of PBGC-Insured DB Plans, 1986-2003**



Source: GAO analysis of PBGC data.

The increased life expectancy of workers also has important implications for defined benefit plan funding, including multiemployer plans. The average life expectancy of males at birth has increased from 66.6 in 1960 to 74.3 in 2000, with females at birth experiencing a rise of 6.6 years from 73.1 to 79.7 over the same period. As general life expectancy has increased in the United States, there has also been an increase in the number of years spent in retirement. PBGC has noted that improvements in life expectancy have extended the average amount of time spent by workers in retirement from 11.5 years in 1950 to 18 years for the average male worker as of 2003. This increased duration of retirement has placed pressure on employers with defined benefit plans to increase their contributions to match this increase in benefit liabilities. This problem can be further exacerbated for those multiemployer plans with a shrinking pool of active workers because plan contributions are generally paid on a per work-hour basis, and thus employers may have to increase contributions for each hour worked by the remaining active participants to fund any liability increase.

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Increasing health insurance costs are another factor affecting the long-term prospects of pensions, including multiemployer pensions. Recent increases in employer provided health insurance costs are accounting for a rising share of total compensation, increasing pressure on employers' ability to maintain wages and other benefits, including pensions. Bureau of Labor Statistics data show that the cost of employer provided health insurance has risen steadily in recent years, rising from 5.4 percent of total compensation in 1999 to 6.5 percent as of the third quarter of 2003. A private survey of employers found that employer-sponsored health insurance costs rose about 14 percent between the spring of 2002 and the spring of 2003, the third consecutive year of double digit acceleration and the highest premium increase since 1990.<sup>36</sup> Plan administrators and employer and union representatives that we talked with identified the rising costs of employer provided health insurance as a key problem facing plans, as employers are increasingly forced to choose between maintaining current levels of pension or medical benefits.

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## Concluding Observations

Although available evidence suggests that multiemployer plans are not experiencing anywhere near the magnitude of the problems that have recently afflicted the single-employer plans, there is cause for concern. Most significant is PBGC's estimate of \$100 billion in unfunded multiemployer plan liabilities that are being borne collectively by employer sponsors and plan participants. Compared to the single-employer program, PBGC does not face the same level of exposure from this liability at this time. This is because, as PBGC officials have noted, the current regulatory framework governing multiemployer plans redistributes financial risk towards employers and workers and away from the government and potentially the taxpayer. Employers face withdrawal and other liabilities that can be significant, while workers face the prospect of receiving guaranteed benefits far lower and with benefit reduction at levels well below the guaranteed limits than those provided by PBGC's single-employer program, should their plan become insolvent. Together, not only do these features limit the exposure to PBGC and the taxpayer, they create important incentives for all interested parties to resolve difficult financial situations that could otherwise result in plan termination.

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<sup>36</sup>*Employer Health Benefits 2003 Annual Survey*, The Kaiser Family Foundation and Health Research and Education Trust.

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However, the declines in interest rates and equities markets, and weak economic conditions in the early 2000s, have increased the financial stress on both individual multiemployer plans and the multiemployer framework generally. Proposals to address this stress should be carefully designed and considered for their longer-term consequences. For example, proposals to shift plan liabilities to PBGC by making it easier for employers to exit multiemployer plans could help a few employers or participants but erode the existing incentives that encourage interested parties to independently face up to their financial challenges. In particular, placing additional liabilities on PBGC could ultimately have serious potential consequences for the taxpayer, given that with only about \$25 million in annual income, a trust fund of less than \$1 billion, and a current deficit of \$261 million, PBGC's multiemployer program has very limited resources to handle a major plan insolvency that could run into billions of dollars.

The current congressional efforts to provide funding relief are at least in part in response to the difficult conditions experienced by many plans in recent years. However, these efforts are also occurring in the context of the broader, long-term decline in private sector defined benefit plans, including multiemployer plans, and the attendant rise of defined contribution plans, with their emphasis on greater individual responsibility for providing for a secure retirement. Such a transition could lead to greater individual control and reward for prudent investment and planning. However, if managed poorly, it could lead to adverse distributional effects for some workers and retirees, including a greater risk of a poverty level income in retirement. Under this transition view, the more fundamental issues concern how to minimize the potentially serious, negative effects of the transition, while balancing risks and costs for employers, workers, and retirees, and the public. These important policy concerns make Congress's current focus on pension reform both timely and appropriate.

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## Agency Comments

We provided a draft of this report to Labor, Treasury, and PBGC. The agencies provided technical comments, which we incorporated as appropriate.

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We are sending copies of this report to the Secretary of Labor, the Secretary of the Treasury, and the Executive Director of the Pension Benefit Guaranty Corporation; appropriate congressional committees; and other interested parties. We will also make copies available to others on

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request. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you have any questions concerning this report, please contact me at (202) 512-5932. Other major contributors include Joseph Applebaum, Orin B. Atwater, Susan Bernstein, Kenneth J. Bombara, Tim Fairbanks, Charles Jeszeck, Gene Kuehneman, Raun Lazier, and Roger J. Thomas.

A handwritten signature in black ink that reads "Barbara D. Bovbjerg". The signature is written in a cursive style with a large, stylized initial "B".

Barbara D. Bovbjerg  
Director, Education, Workforce  
and Income Security Issues

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