

Highlights of [GAO-13-240](#), a report to Chariman, Committee on Education and the Workforce, U.S. House of Representatives

Why GAO Did This Study

Multiemployer pension plans—created by collective bargaining agreements including more than one employer—cover more than 10 million workers and retirees, and are insured by the PBGC. In recent years, as a result of investment market declines, employers withdrawing from plans, and demographic challenges, many multiemployer plans have had large funding shortfalls and face an uncertain future.

GAO examined (1) actions that multiemployer plans in the weakest financial condition have taken to improve their funding levels; (2) the extent to which plans have relied on PBGC assistance since 2009, and the financial condition of PBGC's multiemployer plan insurance program; and (3) options available to address PBGC's impending funding crisis and enhance the multiemployer insurance program's future financial stability.

GAO analyzed government and industry data and interviewed government officials, pension experts—including academics, actuaries, and attorneys, multiemployer plans' trustees and administrators, employers and trade associations, unions, advocacy organizations, and other relevant stakeholders.

What GAO Recommends

Congress should consider comprehensive and balanced structural reforms to reinforce and stabilize the multiemployer system. PBGC generally agreed with our findings and analysis.

View [GAO-13-240](#). For more information, contact Charles Jeszeck at (202) 512-7215 or jeszeckc@gao.gov

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PRIVATE PENSIONS

Timely Action Needed to Address Impending Multiemployer Plan Insolvencies

What GAO Found

The most severely distressed multiemployer plans have taken significant steps to address their funding problems and, while most plans expected improved financial health, some did not. A survey conducted by a large actuarial and consulting firm serving multiemployer plans suggests that the large majority of the most severely underfunded plans—those designated as being in critical status—either have increased or will increase employer contributions or reduce participant benefits. In some cases, these measures will have significant effects on employers and participants. For example, several plan representatives stated that contribution increases had damaged some firms' competitive position in the industry, and, in some cases, threatened the viability of such firms. Similarly, reductions in certain benefits—such as early retirement subsidies—may create hardships for some older workers, such as those with physically demanding jobs. Most of the 107 surveyed plans expected to emerge from critical status, but about 25 percent did not and instead seek to delay eventual insolvency.

The Pension Benefit Guaranty Corporation's (PBGC) financial assistance to multiemployer plans continues to increase, and plan insolvencies threaten PBGC's multiemployer insurance fund's ability to pay pension guarantees for retirees. Since 2009, PBGC's financial assistance to multiemployer plans has increased significantly, primarily due to a growing number of plan insolvencies. PBGC estimated that the insurance fund would be exhausted in about 2 to 3 years if projected insolvencies of either of two large plans occur in the next 10 to 20 years. More broadly, by 2017, PBGC expects the number of insolvencies to more than double, further stressing the insurance fund. PBGC officials said that financial assistance to plans that are insolvent or are likely to become insolvent in the next 10 years would likely exhaust the insurance fund within the next 10 to 15 years. If the insurance fund is exhausted, many retirees will see their benefits reduced to an extremely small fraction of their original value because only a reduced stream of insurance premium payments will be available to pay benefits.

Experts and stakeholders cited two policy options to avoid the insolvencies of severely underfunded plans and the PBGC multiemployer insurance fund, as well as other options for longer term reform. Experts and stakeholders said that, in limited circumstances, trustees should be allowed to reduce accrued benefits for plans headed toward insolvency. Also, some experts noted that, in their view, the large size of these reductions for some severely underfunded plans may warrant federal financial assistance to mitigate the impact on participants. Experts and stakeholders also noted tradeoffs, however. For example, reducing accrued benefits could impose significant hardships on some retirees, and any possible financial assistance must be considered in light of the existing federal debt. Options to improve long term financial stability include changes to withdrawal liability—payments assessed to an employer upon leaving the plan based on their share of unfunded vested benefits—to increase the amount of assets plans can recover or to encourage employers to remain in or join the plan. In addition, experts and stakeholders said an alternative plan design that permits adjustments in benefits tied to key factors, such as the funded status of the plan, would provide financial stability and lessen the risk to employers. These and other options also have important tradeoffs, however.