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Highlights

Highlights of GAO-13-428T, a testimony before the Subcommittee on Health, Employment, Labor and Pensions, 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. As a result of investment market declines, employers withdrawing from plans and demographic challenges in recent years, many multiemployer plans have had large funding shortfalls and face an uncertain future. Also, both PBGC's single-employer and multiemployer insurance programs have been on GAO's list of high-risk federal programs for a number of years.

This testimony provides information on (1) recent actions that multiemployer plans in the worst financial condition have taken to improve their funding levels; and (2) the extent to which plans have relied on PBGC assistance since 2009, and the financial condition of PBGC's multiemployer plan insurance program.

GAO analyzed government and industry data, interviewed representatives of selected pension plans, and a wide range of industry experts and stakeholders and reviewed relevant federal laws, regulations, and documentation from plans.

GAO is not making recommendations in this testimony. GAO will soon release a separate report on multiemployer pension issues.

View GAO-13-428T. For more information, contact Charles Jeszeck at (202) 512-7215 or jeszeckc@gao.gov

March 2013

PRIVATE PENSIONS

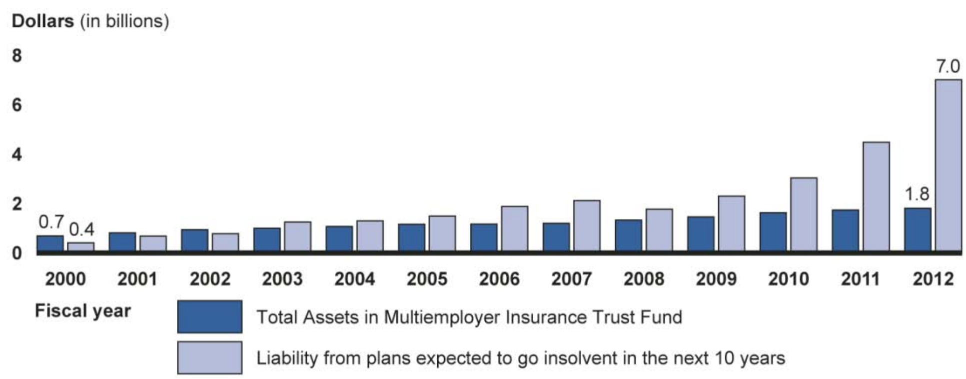
Multiemployer Plans and PBGC Face Urgent Challenges

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 majority of the most severely underfunded plans—those designated as being in critical status—developed plans to increase employer contributions or reduce certain participant benefits. In some cases, these measures will have significant effects on employers and participants. For example, one plan representative stated that contribution increases had damaged some firms' competitive position in the industry. Similarly, reductions or limitations on certain benefits—such as disability benefits—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 26 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. As a result of current and anticipated financial assistance, the present value of PBGC's liability for plans that are insolvent or expected to become insolvent within 10 years increased from $1.8 to $7.0 billion between fiscal years 2008 and 2012. Yet PBGC's multiemployer insurance fund only had $1.8 billion in total assets in 2012. PBGC officials said that financial assistance to these plans would likely exhaust the fund in or about 2023. If the fund is exhausted, many retirees will see their pension benefits reduced to a small fraction of their original value because only a reduced stream of insurance premium payments will be available to pay benefits.

PBGC Assets and Liabilities from Current and Anticipated Plan Insolvencies, Fiscal Years 2000 through 2012



Source: GAO analysis of PBGC data.