PENSION RIGHTS CENTER

FACT SHEET

WHAT ARE MULTIEMPLOYER PENSION PLANS?

Multiemployer pension plans are retirement plans negotiated by a union with a group of employers typically in the same industry. Collective bargaining contracts say how much the employers must contribute to the plans for their employees. The plans are run by trustees selected by the union and the employers. The trustees typically determine the amounts that the plans will pay in lifetime monthly benefits.

There are more than 10 million workers and retirees in 1,510 multiemployer plans. For more information, read this **Introduction to Multiemployer Plans** fact sheet from the **Pension Benefit Guaranty Corporation** (PBGC), the federal agency that insures most private pension plans.

HOW WELL FUNDED ARE MULTIEMPLOYER PENSION PLANS?

The majority of multiemployer pension plans, covering most multiemployer plan participants, **are adequately funded**, but some plans are projected to run out of money within 20 years.

HOW MANY MULTIEMPLOYER PLANS ARE AT RISK OF RUNNING OUT OF MONEY?

According to PBGC projections, approximately 150 to 200 plans, covering 1.5 million workers and retirees, **could run out of money** within the next 20 years. The PBGC estimates that roughly one-third of the affected participants are in two large plans in the trucking and mining industries.

WHY ARE SOME MULTIEMPLOYER PLANS UNDERFUNDED?

There are a variety of reasons for funding shortfalls in certain multiemployer pension plans. Changes in the economy have resulted in a dramatic decline in union jobs, leaving many plans with many more retirees than active workers. This, together with company bankruptcies and withdrawals from plans, has caused a significant decrease in employer contributions to plans. In addition, investment losses in 2001 and again in the 2008 stock market collapse greatly reduced the amount of money in plans.

WHAT HAPPENS WHEN A MULTIEMPLOYER PLAN RUNS OUT OF MONEY?

When a multiemployer pension plan no longer has enough money to pay benefits in a particular year, the plan is considered to be insolvent. At that point, two things happen: (1) the Pension Benefit Guaranty Corporation begins making loans to the plan so that it can continue paying pensions; and (2) the benefits paid by the plan are reduced to levels **guaranteed by the PBGC**.

HOW ARE THE PBGC MULTIEMPLOYER GUARANTEE LEVELS CALCULATED?

PBGC guarantees for multiemployer plans are calculated by multiplying the number of years participants have worked under a plan times a percentage of the monthly benefits they have earned under the plan. If a plan runs out of money and benefits are reduced to the PBGC levels, the reductions can be substantial. To understand how much your benefit would be if it were reduced to the PBGC guarantee level, read this **PBGC Multiemployer Insurance Program Fact Sheet** or use our **PBGC Multiemployer Guarantee Calculator**.

HOW DO I FIND OUT IF MY MULTIEMPLOYER PLAN IS UNDERFUNDED?

Your plan is required to notify you if it becomes underfunded. See our fact sheets for more information about **funding notices**, and the **types of cuts** that can affect workers when plans are underfunded. When plans are severely underfunded, they are said to be in the "Red Zone," and workers must receive a critical status notice, alerting them that certain special early retirement and survivors benefits could be cut. You can find a list of plans that have issued critical status notices on the **Department of Labor's website**.

HOW CAN UNDERFUNDED MULTIEMPLOYER PLANS BE PRESERVED FOR THE LONG-TERM?

A number of common-sense ideas have been suggested to help ensure that financially troubled multiemployer plans will be able to continue paying pensions. These ideas include letting plans join together to save on administrative costs; relieving employers of obligations for workers and retirees whose employers are no longer contributing to the plans; and providing more money to the PBGC to help the agency assist plans and provide higher guarantees. Different approaches will help address the problems in different industries. All of these approaches should be examined.

There is also one proposal, which is included in a report called ***Solutions not Bailouts***, that does not make sense. It would give trustees of plans that are projected to run out of money within 15 to 20 years the authority to **immediately cut retirees' pensions to 110 percent of the amounts guaranteed by the PBGC**. Legislation based on this proposal is expected to be introduced into the U.S. Congress.

Allowing cuts to retiree pensions in ongoing plans would be unprecedented and devastating to the affected retirees. It would also undermine a fundamental protection of the federal private pension law.

WHAT WOULD MY PENSION BE UNDER THE "SOLUTIONS NOT BAILOUTS" PROPOSAL?

If you are a retiree currently receiving a pension from a financially troubled multiemployer plan, you can use our **Multiemployer Pension Cutback Calculator** to find out how much you could lose in benefits if your pension were cut back to 110 percent of the amount guaranteed by the PBGC.