Pension rescue is no-brainer for next pandemic response legislation

Posted by Zachary Jenkins on April 21, 2020

Confronted with the largest public health and economic crisis in modern American history, Congress on March 27 appropriately provided trillions of dollars to help put workers, businesses and state and local governments on a path to withstand the massive economic shock waves they are facing. But more action is needed.

In its next legislative salvo to combat the financial effects of the COVID-19 pandemic, Congress needs to ensure that more funds get into the hands of individuals and businesses so that workers can feed their families and pay for necessities. This effort must also include a fix to a pension calamity that has consequences for all of us.

Multiemployer pension plans, which are run jointly by a union and two or more employers, cover 10 million workers and retirees. Most plans are financially stable but about 130 of them are spiraling toward insolvency, threatening the benefits of more than 1.4 million retirees – and that was before the stock market tumbled. Now with COVID-19 halting the economy, a **new study by the Segal Company** projects "an additional 180 plans could face insolvency over the next 20 years," bringing the number of plans careening toward failure to over 300, potentially affecting 2.5 million workers, retirees and spouses.

As business and shopping areas have gone dark and millions of workers have lost their jobs due to the coronavirus, retirees with pensions that were earned over their lifetime of work continue to use their income to support local businesses, boost tax revenue and reduce the strain that would otherwise fall on community medical and social service resources. This is exactly the type of income infusion that is needed now and that will be required to revive a struggling economy once the pandemic subsides and businesses reopen.

The moral obligation to care for and support current and future retirees has also never been so apparent.

Those most at risk of losing benefits in these multiemployer plans are the very same workers who are risking their lives to protect us in this time of crisis. They are the truck drivers who are transporting food and supplies, the nurses and health care workers at the front lines, the grocery store workers who are keeping us fed, the laborers who are building our hospitals, and the musicians who, despite social distancing, keep on playing for us online to soothe our anxiety.

These are America's unsung heroes who do – and did – the essential jobs that we all are depending on in this time of lockdown.

If Congress does not act, many of these workers and retirees stand to lose as much as half of their pensions, or more. Tens of thousands have already had their benefits cut. Lawmakers should not abandon these American heroes in their time of need.

Congress must act now to save severely underfunded plans, protect the full benefits of workers and retirees and put on sound footing the federal agency that insures pensions--the Pension Benefit Guaranty Corporation (PBGC).

Fortunately, there are two good legislative proposals under active consideration. One is a federal loan program called the Butch Lewis Act, which the House of Representatives passed last year and which Speaker Nancy Pelosi (D-CA) included in an initial version of an **earlier COVID-19 response proposal.** The other choice is the **Emergency Pension Plan Relief Act,** a proposal that would save plans by permitting them to transfer certain liabilities to the PBGC, and which would provide funds to the agency to pay these obligations. It includes some concepts from a separate proposal by Senate Finance Committee Chairman Charles Grassley (R-IA) and Senate Health, Education, Labor and Pensions Committee Chairman Lamar Alexander (R-TN).

There is also another proposal being considered, one that Congress should not include in any pandemic response bill nor in any legislation designed to address the multiemployer plan issue. Called the GROW Act, it is a proposal that, despite good intentions, would hurt both workers and retirees, be detrimental to the PBGC, and undercut the security of the entire multiemployer plan system.

At a time when Congress is spending trillions to keep the economy afloat and protect the well-being of its citizens, the cost of saving multiemployer plans through the Butch Lewis Act, Emergency Pension Plan Relief Act or another proposal that accomplishes the same goals would be relatively small in comparison and well worth making. These costs do not even account for the added economic benefit that results from multiemployer plan pensions paid to retirees – estimated by the **National Institute on Retirement Security** to be $2.13 for every pension dollar paid.

Adding it all up, the decision before Congress: whether to pass legislation that simultaneously stimulates the economy, protects retirees and their families, and shows the nation's gratitude to these unsung heroes, should be an easy one. Doing so is simply a no-brainer.