November 2018

IBEW FACT SHEET

JOINT SELECT COMMITTEE ON SOLVENCY OF MULTIEMPLOYER PENSION PLANS

The IBEW opposes solutions that would apply burdensome funding requirements and excessive fees on multiemployer pension programs, including the National Electrical Benefit Fund (NEBF), the second largest multiemployer pension fund in the United States.

Background

Multiemployer pensions are administered by joint labor management committees and funded in part by negotiated employer contributions. They form the backbone of the retirement safety net for millions of Americans. Approximately 550,000 active members, retirees, and survivors participate in the IBEW's multiemployer pension plans.

IBEW members appreciate the difficult task before the members of the Joint Select Committee on Solvency of Multiemployer Pension Plans. However, several concepts or proposals currently being discussed would render the current system unsustainable and rapidly result in government-induced market failure. Most multiemployer plans – more than 60 percent – are stable and in the "green zone." Some proposals could pose problems for green zone plans and exacerbate the issues that a small number of plans are currently facing.

We oppose (1) the use of 30-year Treasury bond or corporate bond rates as the discount rate; (2) new taxes and fees on workers and retirees; (3) an increase in Pension Benefit Guaranty Corporation (PBGC) premiums; and (4) the use of composite plans as a solution. We support a low-interest loan program.

Not a Solution: Arbitrarily prescribed discount rate

Imposing an alternative discount rate on key measurements for multiemployer pension plan funding would move most healthy plans into endangered or critical status, decrease benefits for participants, and increase contributions to levels that would make it difficult for employers to remain competitive. Using lower discount rates based on corporate bonds or 30-year Treasury bonds would likely lead to significant short-term shifts in plan obligations. Even a 0.25% decrease in the discount rate can detrimentally increase unfunded liabilities by hundreds of millions of dollars.

Not a solution: New taxes or fees on workers, retirees and plans

Recently circulated proposals would apply onerous requirements and fees on otherwise healthy funds. One would raise $3 billion annually from healthy multiemployer funds to support participants in failing plans, creating a tax on retirees' pensions. NEBF beneficiaries would be taxed $20-$30 million annually if the fund is moved to the yellow or red zone. Another proposal creates a new $2 per active worker per month fee on unions and employers, which would cost the IBEW over $6 million annually. Still another proposed plan changes the PBGC's per participant annual premium from a flat fee of $28 to a variable premium with an average of $100, which could cost the NEBF $55 million a year. We oppose any fees or taxes on workers, retires and plans.

Not a solution: Use of composite plans

Composite plans do not address plans that cause a risk to the system. Instead, they seek to restructure healthy plans. Unions bargain in good faith on behalf of millions of workers who defer wages on the promise of defined benefits being available to them in retirement.

A solution: a low-interest loan program

A bipartisan group of members of Congress have signaled their support for a plan that would sell bonds to large investors and lend the proceeds of the bond sales to financially troubled pension plans. We support the establishment of a low-interest loan program to restore the solvency of endangered multiemployer plans. Workers in suffering pension plans are victims who should not be penalized for plan mismanagement, adverse public policy, or Wall Street risk-taking. Participants deserve to receive their full benefits. *Members of Congress should co-sponsor the Butch Lewis Act (HR 4444/S 2147) and speak to congressional leadership to bring the bill for a vote.*