Committee Statements

Roe Statement: Hearing on "Challenges Facing Multiemployer Pension Plans: Reviewing the Latest Findings by PBGC and GAO"

WASHINGTON, D.C. | March 5, 2013 -

This is the latest in a series of hearings examining the multiemployer pension system, and each time we have assembled a distinguished panel of witnesses to offer their unique experience and expertise on this very important topic, I am pleased today is no different.

I would also note that throughout our oversight of multiemployer pensions, the committee has maintained a spirit of bipartisan cooperation. We are addressing difficult issues with no simple answers. As we continue examining the strengths and weaknesses of the nation's pension system and begin discussing possible reforms, I hope we do so with a sincere commitment to working together and advancing reforms that best serve the American people.

Since we last met, a number of headlines have announced key developments involving multiemployer pensions. In late January, the PBGC released three long overdue reports that together offer a very detailed examination of the system. The facts they provide, however, are deeply troubling. Plans have $757 billion in benefit liabilities and a staggering $391 billion in unfunded obligations.

The reports also reveal roughly one out of every four plans is in “red zone” critical status, experiencing immediate and significant funding problems. Only 39 percent of participants are active employees, which confirms a disturbing demographic trend we’ve discussed during previous hearings. Additionally, there is a 90 percent chance the PBGC’s multiemployer insurance program will be insolvent in less than twenty years.

The second round of news to attract our attention was the release of a report by the National Coordinating Committee on Multiemployer Plans. For over a year, members of the NCCMP’s Retirement Security Review Commission worked diligently to try and craft reforms that tackle the structural problems plaguing the system and garner the support of both business and labor leaders.

Their report, entitled Solutions, Not Bailouts, is further proof that there is no easy way to address the challenges facing the multiemployer pension system. The report also serves as an important reminder that common ground can be found when stakeholders work together in good faith and make tough choices. We will continue to carefully review their recommendations in the weeks ahead.

Finally, today we will be making some news of our own. In 2011, Chairman Kline asked the nonpartisan Government Accountability Office to examine the multiemployer pension system, including the effects of legal changes enacted by Congress in recent years. While its report is not yet final, a representative from GAO is with us today to discuss their preliminary findings. The study provides an independent analysis of the PBGC’s financial challenges and an overview of various policy proposals intended to prevent the future insolvencies of severely underfunded plans.

The GAO report also outlines the difficult choices plan trustees must confront as they try desperately to steer clear of insolvency. Too often the only options available to plans, such as steep increases in contributions employers pay or reducing workers’ future benefits, can’t arrest the steady decline of many plans.

Armed with the facts, we must begin charting a new and better course. Thousands of employers who participate in multiemployer pension plans are counting on us. Men and women searching for work and hoping these employers create new jobs are counting on us. And millions of workers and retirees who rely upon the multiemployer pension system for their future income security are counting on us.

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Press Releases

Committee Leaders Respond to Reports on Multiemployer Pension System

WASHINGTON, D.C. | January 29, 2013 -

Bipartisan leaders on the U.S. House Education and the Workforce Committee responded today to three reports on the nation’s multiemployer pension system. The reports provide a broad examination of the challenges facing the pension system responsible for providing retirement benefits to more than 10 million individuals.

Chairman John Kline (R-MN): “Anyone who denies the reality of the growing pension crisis is ignoring the facts. A weak pension system would not only pose a threat to millions of workers and retirees, but it could also impose an even greater burden on taxpayers across the country. I stand ready to work with my colleagues across the aisle on responsible reforms that will strengthen the multiemployer pension system. We have some difficult choices to make, but working together I am confident we can get the job done.”

Senior Democratic Member George Miller (D-CA): “While the health of a number of pension plans is improving, many continue to have serious financial issues that need to be resolved. Tens of millions of workers count on these benefits they earned after a lifetime of hard work, the median benefit being around just $900 a month. It is clear that Congress will have to come together to secure the multiemployer pension system for the millions of current and future retirees, the businesses that contribute to these important plans, and taxpayers who provide the final backstop.”

Health, Employment, Labor, and Pensions Subcommittee Chairman Phil Roe (R-TN): “These reports confirm in stark detail the serious challenges confronting the multiemployer pension system. Over the last two years, our subcommittee has held hearings to examine the hard truth facing multiemployer pensions. We have also begun discussing possible solutions that will support workers without discouraging participation in the voluntary pension system. Today’s reports have given new urgency to the difficult task before us and I look forward to continuing this bipartisan effort in the months ahead.”

Health, Employment, Labor, and Pensions Senior Democratic Member Rob Andrews (D-NJ): “Several years ago Congress worked in a bipartisan fashion to make significant reforms to pension policy that have improved the health of many plans. However, as these reports remind us, more must be done to address those multiemployer plans which remain at risk of becoming insolvent. I look forward to working with my colleagues on both sides of the aisle to address these critical issues. Millions of Americans are dependent upon the security of these benefits that they have earned over years of hard work. It is time Congress does its part to ensure these benefits are there for those who have earned them.”

NOTE: Federal law requires the administration to issue two reports on the multiemployer pension system. First, the Employee Retirement Income Security Act (ERISA) requires an evaluation every five years to determine whether current Pension Benefit Guaranty Corporation (PBGC) insurance premium levels support the multiemployer benefits guarantee. Second, the Pension Protection Act (PPA) of 2006 mandated a study on the effects of the law on multiemployer plans, including the impact on small employers. These two reports were due to Congress in 2011. Additionally, PBGC issues an annual “exposure report” that examines the future solvency of its insurance programs. Key multiemployer pension facts from these reports include:

- Plans have reported $757 billion in benefit liabilities and unfunded obligations of $391 billion, representing a 48 percent funding ratio using PBGC’s interest rate assumptions. (PPA Report)

- Only 39 percent of participants in the pension plans were active employees, while 61 percent are retired or vested participants separated from employment. (PPA Report)

- 319 plans out of about 1,500 were certified in “red zone” critical status in 2011, indicating the plans face significant and immediate funding problems. (PPA Report)
• With existing premium levels and economic conditions, PBGC projects a 35 percent probability its multiemployer pension insurance program will be insolvent by 2022 and a 90 percent probability of insolvency by 2032. (ERISA Report)

• PBGC is expected to collect $1.3 billion in premiums from multiemployer plans over the next decade. However, the agency estimates its potential new obligations could increase by $37.6 billion. (Exposure Report)

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June 25, 2012

Representative Phil Roe
419 Cannon House Office Building
Washington, DC 20515

Dear Congressman Roe:

On behalf of the Printing Industries of America and its 10,000 member companies employing over 900,000 workers across the nation, I am writing to thank you for holding the hearing, “Assessing the Challenges Facing Multiemployer Pension Plans.”

The printing and graphic communications industry has a solid history of providing excellent retirement benefits at both non-unionized and unionized companies. The Graphic Communications Conference of the International Brotherhood of Teamsters National Pension Fund (GCC/IBT-NPF) is one such vehicle to ensure a secure retirement for workers in the industry. Currently, over 1,000 printing companies participate in GCC pension plans, which cover more than 148,000 workers.

Unfortunately, the GCC pension plans and the retirement security of their participants are gravely threatened. Because the GCC/IBT-NPF pension plan is a multi-employer plan that received its amortization extension prior to 2006, it is not immune from excise taxes as are similar plans that were provided relief under the Pension Protection Act (PPA) of 2006. Last Congress legislation was introduced to allow multi-employer plans to revoke their Internal Revenue Code 412(e) amortization extensions, thus alleviating a hugely burdensome excise tax threat that accompanies these plans. Our analysis of this pension funding relief provision is that it would address and rectify the current problems plaguing the GCC/IBT-NPF and many other plans similar to it.

Leaving the problem unaddressed will no doubt lead to devastating situations, including:

- $200 Million+ in excise tax liabilities that will have to be paid by printing companies, both large and small;
- Increasing likelihood that the Pension Benefits Guarantee Corporation (PBGC) will have to bail-out the plans, which in turns would add to a potential need for taxpayers to bail-out the PBGC in the future; and
- Job losses and further financial instability in an industry important to the manufacturing sector and overall economy. The printing and graphic communications industry has shed more than 70,000 since 2008.
Allowing for relief from the burdensome consequences of failure of the maintenance benchmarks of a multiemployer pension plan’s IRC 412(e) extension is something upon which both industry and labor wholeheartedly agree. This legislative relief is supported by the Printing Industries of America, the International Brotherhood of Teamsters, the National Coordinating Committee for Multiemployer Plans, and the employers and unions that participate in the Southern California United Food and Commercial Workers Unions and Food Employers Joint Pension Trust Fund.

Printing Industries of America is committed to advocating pension reform that both preserves retirement security for industry workers while at the same time allows for economic recovery and job creation in the print market. The industry looks forward to working with you and your colleagues to provide pension relief legislation.

Sincerely,

[Signature]

Lisbeth A. Lyons
Vice President, Government Affairs