The 2020 Multiemployer Pension Crisis Report

By Retirement Security Coalition

RETIREMENT SECURITY COALITION

Executive Summary

Many Americans count on the U.S. pension system to support them into their retirement years. Today, more than 10 million American blue-collar workers, essential workers, seniors, and families across all 50 states rely on multiemployer pension plans for their retirement security. Unfortunately, market disruptions in 2020 as a result of the COVID-19 pandemic have been unkind to the multiemployer pension program as hundreds of plans have gone bankrupt or hinge on the brink of insolvency. This paper identifies how the pension crisis has grown more dire than ever before over the course of the last year and looks ahead to plausible outcomes if the course is not corrected immediately.

What is a Multiemployer Pension Plan ("MEPP")?

A multiemployer pension plan is a defined benefit plan that is collectively bargained and jointly administered by more than one employer and at least one labor union. Generally grouped by geographic area or industry, often in construction, mining, manufacturing, small businesses, and trucking, these plans exist for the purpose of pooling assets to reduce administrative costs and increase advantageous investing. Employers pool money into a trust, and workers are then paid a monthly benefit during retirement based on the amount their employer put in and years worked.

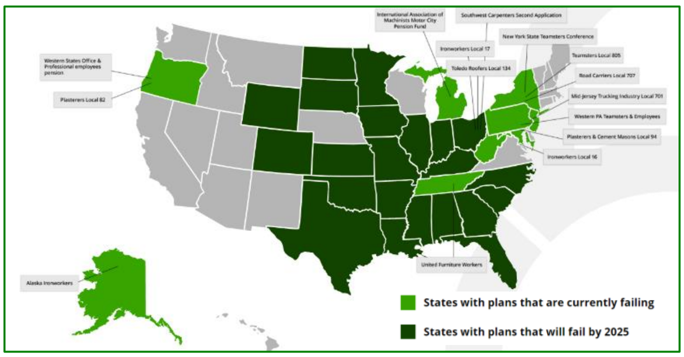
Many multiemployer pension plans are now in critical and declining status, meaning they are projected to become insolvent, or bankrupt, within the next 20 years – if not much sooner. This would leave millions of hard-working Americans without the retirement benefits they planned their futures around. The plans have gotten to this point due to a number of reasons, mainly because unionization rates have dropped, certain industries have shrunk, and the ratio of active-to-inactive participants shifted dramatically over the past few decades.

The Pension Benefit Guaranty Corporation (PBGC), a federal government entity, insures the pension benefits but is projected to become insolvent by as soon as 2025. If Congress doesn't act quickly to address the crisis, millions of Americans will no longer have access to the retirements they planned.

Plan Failure in 2020

Over the past few decades, trends such as declining unionization rates, shrinking of certain industries, and shifting ratios of active-to-inactive participants have left many multiemployer pension plans with insufficient assets to pay the full benefits that participants have earned and planned their futures around.

Today, over 100 multiemployer pension plans covering more than 1 million American workers and seniors have reached unsustainable levels and are now in critical and declining status – meaning they are projected to become insolvent, or bankrupt, within the next 20 years. In 2020 alone, 142 plans have submitted notice of "critical" or "critical and declining" status. Four plans applied to the Treasury Department to cut benefits to their participants in a last-ditch effort to stay afloat.



The accompanying map indicates where plans are currently failing and where failure of the largest plan, the Central States Pension Plan covering more than 400,000 Americans, will have the most impact.

Economic Impact of the MEPP Crisis

According to an annual projections report, the Pension Benefit Guaranty Corporation (PBGC), the federal backstop for multiemployer pensions, has estimated insolvency of its multiemployer pension program no later than 2027. Failure of this program will leave multiemployer pension plans and millions of Americans who rely on them with no financial assurance for the future. Collapse of the Central States Pension Plan, and with it the PBGC, would trigger a domino effect on the U.S. economy, resulting in:

The elimination of tens of thousands of jobs across the country.
A $3 billion drop in labor income.
A $1.2 billion decline in federal tax revenue.
An average benefit reduction between 94 and 98 percent for MEPP participants.
A loss of $66 billion to the U.S. economy.

Considerations and Conclusion

The weakened U.S. economy due to the pandemic could complicate the pension crisis even further, causing more plans to reach insolvency, and sooner than projected, if no legislative solution is implemented to save them.

It's clear: Congress must take urgent bipartisan action to right the multiemployer pension plan system before it's too late.

Sources

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