Frequently Asked Questions on Defined Benefit Multiemployer Pensions

Question 1: What are defined benefit multiemployer pension plans?

Answer: Multiemployer pension plans are sponsored by multiple employers in the same industry and maintained as part of a collective bargaining agreement. They are defined pensions, plans where participants receive regular monthly benefit payments in retirement.

Question 2: What is the problem and how large it is?

Answer: A number of multiemployer pension funds are designated as in "critical and declining status" by the Pension Benefit Guaranty Corporation (PBGC) and may become insolvent over the next two decades. Among these are the Central States Pension Fund, one of the largest multiemployer plans in the country, and the United Mine Workers Pension Plan, which will become insolvent in four to five years without any changes. In 2013, the PBGC estimated that its obligation to Central States would be $20 billion, which would ultimately make the PBGC insolvent if Central States failed.

Question 3: How did this happen?

Answer: Certain sectors of our economy, particularly trucking and coal mining, have witnessed dramatic changes in recent decades that led to company failures, consolidations and the wide adoption of employer intimidation tactics and union busting, leading to declining membership and negatively affecting the number of active workers in some pension plans. These impacts have been compounded by statutory changes made by Congress, including the deregulation of the trucking industry in the 1980s, which led to the failure of trucking firms and created thousands of "orphan" participants in the Central States Pension fund, whose employers could no longer contribute to the plan.

Question 4: What would be the impact if Congress allowed these pension funds to fail?

Answer: One million Americans participate in critical and declining multiemployer pension plans. If the PBGC were to become insolvent, retirees in these plans would receive only a small fraction of their expected pensions, harming their livelihoods and their communities. For example, a recent analysis by Matrix Global Advisors found that the failure of Central States would lead to the loss of more than 55,000 current jobs in the United States and decrease national GDP by $5 billion in 2025 due to the sharp drop in economic activity from lost pensions.

Question 5: Would federal assistance or a loan program be a "bailout?"

Answer: Millions of workers and retirees in multiemployer plans have put a lifetime of work into their pensions, often sacrificing pay raises in order to have more invested in their retirement. Helping these Americans is not a bailout – as what happened with the financial services and automotive industries during the Great Recession – but an obligation to protect families and communities from financial ruin. Furthermore, Congress has a responsibility to examine how federal policies contributed to this crisis.

The IBEW and the labor movement at large supports enactment of the Butch Lewis Act (H.R. 4444/S. 2147), legislation that would provide low-interest, 30-year loans to troubled pension plans. The Butch Lewis Act is the best solution available for workers, retirees, businesses and taxpayers and would cost less than a recent proposal considered by the Joint Select Committee on the Solvency of Multiemployer Pension Plans.

If you have further questions, please contact the IBEW Legislative Department at (202) 728-6046 or at political@ibew.org.