FOR IMMEDIATE RELEASE
January 29, 2013

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Committee Leaders Respond to Reports on Multiemployer Pension System

WASHINGTON, D.C. – 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 pensions 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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