



**A PENSION PLAN
IN CRISIS &
WHAT IT MEANS
FOR AMERICAN
WORKERS**

BY U.S. SENATOR JOE MANCHIN

MANCHIN.SENATE.GOV

Introduction

The multiemployer pension system in the United States is in crisis. According to a 2017 Cheiron report, as many as 114 multiemployer pension plans, including the United Mine Workers of America 1974 Pension Fund (UMWA Pension Fund), are expected to become insolvent – some as early as four years from now. These plans cover almost 1.3 million workers and are underfunded by \$36.4 billion. ¹

The UMWA Pension Fund is the most at risk of insolvency. This critical plan, which covers 87,000 retired miners – 27,000 in West Virginia - and 20,000 full vested current workers, is projected to become insolvent in 2022. Their insolvency will come even sooner if we see a market downturn or additional coal company bankruptcies.

Multiemployer Pension System & the Pension Benefit Guaranty Corporation

A multiemployer pension plan is a collectively bargained plan maintained by more than one employer, usually within the same or similar industries, and a labor union. These type of plans provide pension benefits to over 10 million Americans in industries as diverse as construction, mining, trucking and retail.

The Pension Benefit Guaranty Corporation (PBGC) is the federal agency that backstops pension benefits. PBGC currently pays monthly retirement benefits, up to a guaranteed maximum, to nearly 826,000 retirees in 4,800 pension plans that ended. PBGC is responsible for the current and future pensions of about 1.5 million people. ²

But the PBGC is also facing financial hardship. The PBGC's own 2017 Annual Report specifically stated, the Multiemployer Program is likely to run out of money by the end of 2025 and Congressional action will be necessary to restore long-term solvency of the program. ³

How Did We Get Here?

In 2008, a global recession caused funding levels for most pension plans to plunge. This recession has since come to be known as the “Great Recession” because of the severe impact it had on America's economy. The recession resulted in the scarcity of valuable assets in the market and the collapse of the financial sector across the globe. America's 401(k)'s and IRA's lost about \$2.4 trillion in the second half of 2008.⁴ That resulted in the loss of roughly 25% of a workers retirement. ⁵

¹ <https://cheiron.us/articles/Cheiron%20Analysis%20Critical%20and%20Declining%20Plans.pdf>

² <https://www.pbgc.gov/about/how-pbgc-operates>

³ <https://www.pbgc.gov/sites/default/files/pbgc-annual-report-2017.pdf>

⁴ <https://www.urban.org/sites/default/files/alfresco/publication-pdfs/411976-Retirement-Account-Balances-Updated-.PDF>

⁵ <https://money.usnews.com/money/retirement/articles/2009/02/12/how-did-your-401k-really-stack-up-in-2008?page=2>

In addition to losses contributed to the stock market, a decline in union participation eroded the contribution base for many plans. Between 1983 and 2016, the number of unionized workers dropped by almost half. Many plans now see ratios of one active worker for every two, three or even five retirees. Due to a series of bankruptcies in the coal industry, most major employers were relieved of their obligations to make contributions to the UMWA Pension Fund. The ratio of retirees to active workers for the Fund is now 33-1. ⁶

What Happens If Congress Does Not Act?

If Congress allows for these multiemployer pension plans to become insolvent, the results will be devastating for retirees, current employees, and the communities these companies and beneficiaries are members of.

The impacts will be felt in every corner of the United States. Particularly in West Virginia, Ohio, Texas, New York, Wisconsin, Kentucky, North Carolina and Kansas. Without Congressional intervention, millions of Americans will lose the pension benefits they have worked their entire life for.

If plans like the UMWA 1974 Plan become insolvent, participants will receive significant cuts to their pension payments. The PBGC will only be able to provide a fraction of guaranteed benefits for participants in insolvent plans like the UMWA Plan. Currently, the average UMWA pension is \$586 per month. If PBGC were to take over the plan, the average benefit would fall by 21 percent to \$470 per month, or \$5,640 annually. ⁷

This reduction will be catastrophic for many retirees, current and former workers and their families. And these financial losses will be felt throughout the communities UMWA retirees live in and spend money in.

According to the PBGC's own estimates, the PBGC will become insolvent after several years of financial assistance to the UMWA fund. In addition, the PBGC anticipated an increase in other plans needing assistance which will only accelerate their insolvency. ⁸

In the PBGC's Own Words

In February 2018, Senator Manchin sent a letter to the director of the PBGC requesting additional information about the status of the PBGC's Multiemployer Program⁹ and the response outlined the severe crisis facing the UMWA fund and similar funds if Congress does not intervene.

“Under most simulations, PBGC's model of its Multiemployer Program shows our Program running out of money after paying several years of financial assistance to the

⁶ <https://www.manchin.senate.gov/download/umwa-active-miners-vs-retirees->

⁷ <https://www.manchin.senate.gov/download/funds-analysis-of-pbgc-guarantee-2017>

⁸ <https://www.manchin.senate.gov/download/033018-pbgc-response>

⁹ <https://www.manchin.senate.gov/download/pbgc-letter>

UMWA Fund. At the point PBGC's Program runs out of money, the annual financial assistance needs of the UMWA Fund are estimated to be 10% to 20% of total annual financial assistance needs of insolvent multiemployer plans.

"PBGC assistance to the UMWA Fund will be a significant factor in PBGC's Multiemployer Program insolvency and will accelerate that insolvency by a number of months, but it will not be the sole driver of the Program's insolvency. In the coming years, demands for PBGC financial assistance from other plans will rise rapidly as they run out of money and need assistance to pay benefits of the PBGC guarantee levels."

To read the entire response from PBGC to Senator Manchin's inquiry, [click here](#).

Conclusion

The good news is there are efforts underway in Congress to resolve the crisis facing America's workers once and for all. In February, Senator Manchin was appointed to a bipartisan, bicameral Joint Select Committee tasked with solving the pension crisis.¹⁰ The solution that the Committee produces will be guaranteed an expedited vote in the Senate with no amendments.

Senator Manchin introduced the *American Miners Pension Act (AMP Act)* to shore up the 1974 UMWA Pension Plan by, among other things, allowing transfers to of excess Abandoned Mine Land funds to the 1974 UMWA pension plan.¹¹

Senator Manchin also introduced the *Prioritizing Our Workers Act (POWA)* that would revise the priorities section of the bankruptcy code to plan unpaid vested benefits in defined benefit pension plans at the front of the line.¹²

¹⁰ <https://www.manchin.senate.gov/newsroom/press-releases/manchin-appointed-to-bipartisan-bicameral-committee-to-solve-miners-pension-crisis->

¹¹ <https://www.congress.gov/115/bills/s1911/BILLS-115s1911is.pdf>

¹² <https://www.congress.gov/115/bills/s1963/BILLS-115s1963is.pdf>