ECONOMIC POLICY INNOVATION CENTER

RECONCILIATION OPTION: STRENGTHENING THE PBGC

HUGE UNFUNDED PROMISES THREATEN UNION PENSIONS, TAXPAYERS, & PBGC

Despite a taxpayer bailout delivering $97 billion to some multiemployer, or private union pensions, these plans still have at least $745 billion in unfunded promises remaining. When multiemployer pensions fail, the government's Pension Benefit Guaranty Corporation, or PBGC, pays all or some of workers' and retirees' lost pension benefits.

Nearly every multiemployer pension plan is on the path towards insolvency: 93 percent of workers and retirees are in plans that are less than 60 percent funded, but fewer than 20 percent of plans received bailouts. The combination of Social Security's insolvency and declining fiscal space reduces the likelihood of similar bailouts for workers and retirees in underfunded plans that did not get bailouts.

Reconciliation provides an opportunity to protect union workers, union retirees, and taxpayers by bolstering the solvency of the PBGC and multiemployer pensions.

Multiemployer Pension System Is Broken: 3 Reforms to Help Fix It

	10-year revenues
Increase PBGC's flat-rate premium at least three-fold	$5,000,000,000
Incorporate risk-based insurance premiums	$3,500,000,000
Impose stakeholder fee on employers, unions, and participants	$30,000,000,000

Source: Author's estimates using PBGC data.

3 MULTIEMPLOYER PENSION PROPOSALS FOR RECONCILIATION

An EPIC report on multiemployer pension reform provided 14 recommendations. Three of those are ideal for reconciliation.

First, multiemployer pensions pay a flat-rate premium that is roughly one-third the amount paid by single-employer, or non-union pensions. Tripling the flat-rate multiemployer PBGC premium would increase PBGC revenues by about $5 billion over the next 10 years.

Second, multiemployer insurance premiums lack any risk-based component. Gradually implementing a risk-based premium (to eventually match the single-employer premium) would increase PBGC revenues by roughly $3.5 billion.

And third, as an alternative to increasing the flat-rate premium that is paid only by employers, policymakers could spread the liabilities out more evenly across employers, unions, and participants by imposing an $8/ month fee on each. This would generate roughly $30 billion in additional PBGC revenues over the next decade and help protect the pensions of 11 million union workers and retirees.

The PBGC's multiemployer program has long-failed to function as true insurance, and union pension plans have long-promised far more than they set aside to pay. These reforms would help remedy both and prevent millions of union workers and retirees from receiving pennies on the dollar in promised pension benefits.