Multiemployer Pension Plans: Alternative Plan Design

Construction Employers of America (CEA) Position:

The CEA supports policies that strengthen the health of multiemployer pension plans by providing employers and employees participating in collectively bargained, multiemployer benefit plans with more choices in retirement plan models. Critical to the long-term viability of construction industry businesses are alternative plan designs, such as Composite plan options. Allowing plan trustees to voluntarily adopt more flexible plan structures going forward would reduce risk for contributing employers, retain and attract employers, and protect the retirement benefit for millions of active and retired construction craft workers.

Alternative plan design options provide plan trustees with stability in their retirement benefits. Self-help remedies can be voluntarily adopted without taxpayer dollars and without the loss of previously earned benefits. There is no compelling, sound public policy reason to postpone action on providing plan trustees additional plan design and hybrid options, which would forestall the failure of more plans and stabilize funding volatility in the future. CEA believes this action requires urgency.

The Issue:

CEA member firms are contributing employers to hundreds of national and local multiemployer pension plans, providing defined benefit pensions to their employees. We are committed to maintaining lifetime retirement security for their workers, while improving stability of the overall multiemployer pension system, and ensuring their businesses remain viable in the highly competitive construction market.

These pension plans cannot exist unless contributing employers are viable. Employer exits, bankruptcies and ensuing mass withdrawals are a threat to the system. No employer wants to be "the last man standing." Therefore, we support expanding the use of the "two-pool" method for determining withdrawal liability as a voluntary option for multiemployer plans to consider. Currently two-pool plans are permissible in several industries. The CEA supports expanding this existing authority to allow trustees to construction industry multiemployer plans to have discretion to allow differential rates for new or legacy employers for determining withdrawal liability. Without the two-pool method, new employers may be discouraged from joining a multiemployer plan because they don't want to assume disproportionate liability.

Additionally, the CEA stands against any proposals that impose crippling funding requirements on plans because those increases further destabilize already troubled plans. CEA would also oppose substantial Pension Benefit Guaranty Corporation (PBGC) premium increases. Premiums should be capped at a level affordable for the bargaining parties to prevent erosion of the contribution base. Both options would be counterproductive to providing retirement security to multiemployer pension plan participants.

Finally, as part of the American Rescue Plan of 2021, Congress enacted the Special Financial Assistance (SFA) Program. The SFA program was designed to address the projected insolvency of PBGC's Multiemployer Insurance Program by preventing failure of troubled plans that threatened to undermine the viability of the entire multiemployer pension system. While most of the building and construction industry plans will not participate in the SFA, we oppose efforts to roll back the program or limit funding available to address the looming failure of troubled pension plans. Stabilizing these plans addresses uncertainty in the entire multiemployer pension system.

Key Points:

- CEA contractors want to continue to be able to provide lifetime retirement security for their workers, but the current Defined Benefit (DB) system is unstable. Contractors are worried about the viability of their businesses and are being driven out of the system;
- Alternative plan designs, Composite Plans, and two-pool plans are supported by construction employers who need cost predictability and by many building trades unions which support the lifetime benefit provisions, pooling of risks, and professional fund management;
- Adoption of these plan structures should be strictly voluntary by plan trustees – which are made up of an equal number of labor and management representatives -- and is a private sector solution with no need for taxpayer dollars. This will reduce risks for contributing employers while still providing reliable, lifetime retirement security for plan participants through an annuitized life-time benefit – much like defined benefit pension plans;
- Already earned benefits are protected. Composite Plans and variable benefits designs would apply only to benefits earned in the future; benefits already earned in the so-called Legacy Plan would neither be lost nor cashed out;
- Employer exits, bankruptcies, and mass withdrawals in the multiemployer system are continuing threats which will result in more plan failures, exposing more workers to drastically reduced benefits and jeopardizing the solvency of the Pension Benefit Guaranty Corporation; and
- Private Sector Solution: Composite Plans and alternative plan designs would provide a private sector solution, not requiring government dollars and are designed to keep the current funding crisis from repeating itself in the future.