BETTER JOBS, BETTER WAGES, BETTER FUTURE

A BETTER DEAL

#ABETTERDEAL

SAVE OUR PENSIONS

Every American Worker Who Earned A Pension Through Hard Work Should Keep It, Without A Dollar In Benefit Cuts

In the decades after World War II, many labor unions across several different industries worked to create “multiemployer” pension plans with companies in which their membership worked. Truck drivers, coal miners and other American workers paid into these plans with their hard-earned dollars and delayed immediate financial gain for the promise of a safe and secure retirement for themselves and their families. For years, these plans offered working-class Americans a nest egg in their retirement. But today, everything has changed. The 2008 financial crash, caused by greedy speculators and CEOs on Wall Street, dealt these retirement plans a devastating financial blow. And now, with pension plans in every state in the country in jeopardy, millions of retired workers are facing a financial nightmare – cuts to the hard-earned retirement savings they depend on to survive. If the pension plans are allowed to fail, not only will they no longer be able to pay promised benefits, but taxpayers could be at risk of having to pay billions when the Pension Benefit Guarantee Corporation (PBGC) collapses. PBGC is the arm of the federal government that insures pension plans.

Workers and their families who rely on these plans would lose benefits earned over a lifetime of work through no fault of their own. The result is that the pensions of truck drivers, coal miners, carpenters, ironworkers, bakers, steelworkers, sheet metal workers, roofers, bricklayers, painters, musicians and many more would be cut down to the bone—putting their families’ financial security and future at risk.

American workers should not be punished for the mistakes of special interests on Wall Street – they deserve a Better Deal on their hard-earned pensions.

A Better Deal to Save Our Pensions would:

1. **Provide financing to put failing pension plans back on solid ground to ensure they can meet their commitments to retirees today and workers for decades to come.**

2. **Prevent a single dollar of cuts to benefits retirees have earned.**

3. **Put safeguards in place so pension plans remain strong in order to be there for today's workers when they retire.**

The Problem:

Multiemployer pension plans are industry plans that cover workers, pensioners and their families. These pension plans are jointly run by employers and labor unions. Some of the nation’s largest multiemployer pension plans are on the verge of collapse because they don’t have enough money to pay promised pensions to retirees and workers. These multiemployer plans are paying out more money each year in pensions than they're receiving through employer contributions and investment earnings.

The biggest of these financially troubled pension funds is the Central States, Southeast and Southwest Areas Pension Plan (Central States) which covers approximately 400,000 active and retired Teamsters. It expects to run out of money in eight years. But a fix is needed much sooner in order to bring the plan back on solid footing. Central States and other failing pension funds, such as the United Mine Workers Association plan, are considered to be in either a "critical and declining" or "critical" condition by the U.S. Department of Labor. That means that these plans are on a path to insolvency over the next 20 years. However, Central States and the United Mine Workers Association plan are nearing a point of no return. If something is not done by the summer of 2018 the plans will be unable to stave off insolvency even with outside assistance.

All told more than 200 multiemployer plans are projected to fail, many within the next 10 years. The retirement benefits of 1.5 million plan participants could be at risk. These workers, retirees, families and communities are at risk through no fault of their own. And the result of significant cuts to these pensions would be economically devastating. In 2015, multiemployer participants were paid $241 billion in wages and pension benefits and those participants paid over $35 billion in federal taxes and an additional $8.4 billion in state and local taxes.

The devastation would not stop there. The PBGC, the government sponsored insurance company for multiemployer pensions, has an exposure of $59 billion and is projected to become insolvent by 2025. The CBO estimates that the cost of backstopping the PBGC should it fail will be $101 billion dollars over 20 years.

The Solution—A Better Deal to Save Our Pensions

This legislation creates a new office within the U.S. Treasury Department, which would be called the **Pension Rehabilitation Administration (PRA)**. The PRA would allow pension plans to borrow the money they need to remain solvent and continue providing retirement security for retirees and workers for decades to come.

The money for the loans and the cost of running the PRA would come from the sale of Treasury-issued bonds to financial institutions. The PRA would sell Treasury-issued bonds in the open market to large investors such as financial firms. The PRA would then lend the money from the sale of the bonds to the financially troubled pension plans.

To ensure that the pension plans can afford to repay the loans, the PRA would lend them money for 30 years at low interest rates, around 3 percent. The 30-year loans would buy time for the pension plans so they can focus on investing for the long-term health of the plan, while the loans pay benefits owed to current retirees.

How does it work?

Pension plans borrow money from the PRA. They set that money aside and use it to purchase safe investments that will cover the cost of paying current retiree benefits each month. For example: annuities, cash matching with investment grade bonds, or duration matching with a suitable bond portfolio. ***Whichever approach is taken, retirees and their families are guaranteed their promised benefits and the loan proceeds may never be invested in risky investments.***

While the funds borrowed from the PRA are being used to pay out retiree benefits, the underlying pension fund can focus on making smart investments to get back in long-term solvency.

In addition to prohibiting the borrowed funds from being used to make risky investments, the bill also requires plans that borrow money to submit reports to the PRA every three years to demonstrate that the plans are on track to getting back on solid footing.

How much is borrowed and on what terms?

Pension plans may borrow as much money as they need, as long as they can demonstrate the ability to repay the loan. The interest will be comparable to that of a 30-year Treasury bond. The rate may be slightly higher in order to cover operating costs for the PRA.

During the first 29 years of the 30-year loans, the pension plans will pay only fixed interest rates on the money they've borrowed. In the last year, the pension plans will pay interest on the loans and repay all the money they borrowed.

Where does the money come from?

The money comes from the sale of Treasury-issued bonds to financial institutions. These PRA bonds will be fully backed by the Treasury. The PRA will not have trouble raising the money because investors want long term bonds that carry little risk.

What about plans that cannot borrow enough to cover the costs of paying for retirees?

The loans will not be sufficient to cover the full cost of helping all financially troubled pension plans. Some failing or critical and declining pension plans, including Central States, will need additional help. In those cases, the PBGC would step in to fill the gap between what the plan can borrow and the additional funding needed to meet obligations to retirees.

This would require Congress to provide funding to the PBGC. However, if nothing is done to bring these plans into solvency, the PBGC will already be on the hook for billions of dollars it cannot pay and taxpayers would be at risk or having to pay billions.

Under this bill, the system will remain solvent.