

IRRESPONSIBLE PROMISES: WHY RAISING THE PBGC'S MULTIEMPLOYER GUARANTEE LEVEL GUARANTEES NOTHING

Background:

Despite having taken every measure at their disposal to recover, some multiemployer plans face inevitable insolvency. The **Solutions Not Bailouts (SNB)** proposal contains practical tools for preserving benefits that insolvent plans can choose to use at their sole discretion. In addition to allowing all plans to modernize and prepare for the future, for the most severely distressed plans these tools permit immediate, smaller-scale sacrifices that will prevent long-term disasters. While current retirees are part of these sacrifices, several provisions in the proposal ensure that retirees receive the highest possible level of benefit protection.

In opposing the SNB proposal, critics commonly claim that immediate sacrifices are unnecessary, since raising the Pension Benefit Guaranty Corporation insurance level is a viable alternative. Unfortunately, this is not true.

The PBGC Today:

When a multiemployer pension plan becomes insolvent, current law requires a mandatory reduction in benefits for all participants (including retirees) to no more than the Pension Benefit Guaranty Corporation's maximum guarantee level, which for a full-career employee is approximately \$1,100 per month. Making matters worse, this 'guarantee level' will be reduced to zero when the PBGC exhausts its resources, which is projected to happen within the next ten years. In a **recent report**, the PBGC estimated that in the coming years the long-term funding shortfall in the multiemployer program will reach \$50 billion.

Wishful Thinking is Not a Solution:

Critics of Solutions Not Bailouts have been calling for higher PBGC guarantees since the proposal was released in early 2013. Despite having a year and a half to prepare research and analysis in support of this position, the following questions remain unanswered:

- How will PBGC raise the \$50 billion that is necessary to support the current guarantee?
- What is the additional cost of raising the guarantee level?
- After obtaining \$50 billion to fund the current guarantee, what revenue source will support the higher guarantee level?

When Solutions Not Bailouts was first released, it was understandable for people who were not part of the exhaustive proposal development process to seek less painful alternatives. The 40 labor and management groups that produced Solutions Not Bailouts sought those same alternatives. However, for critics to continue to suggest raising the guarantee as an alternative approach without having produced any analysis that answers the above questions is irresponsible. It has become clear that they are more interested in looking and sounding good for their members than they are in doing good for their members.

A Practical Way Forward:

The reality is that there are no easy or painless solutions to the challenges facing multiemployer pensions. Any realistic approach will require difficult sacrifices from all stakeholders. The Solutions Not Bailouts proposal allows plans to develop their own benefit preservation solutions without looking to the taxpayers for an expensive and unlikely bailout.

Every day that action is delayed results in greater sacrifices from retirees. Meanwhile, critics of Solutions Not Bailouts complain about its practical solutions, while distracting policymakers and plan participants with illusions of painless alternatives.