Highlights of GAO-GAO-04-423, a report to congressional requesters

Why GAO Did This Study

Multiemployer-defined benefit pension plans, which are created by collective bargaining agreements covering more than one employer and generally operated under the joint trusteeship of labor and management, provide coverage to over 9.7 million of the 44 million participants insured by the Pension Benefit Guaranty Corporation (PBGC). The recent termination of several large single-employer plans—plans sponsored by individual firms—has led to millions of dollars in benefit losses for thousands of workers and left PBGC, their public insurer, an $11.2 billion deficit as of September 30, 2003. The serious difficulties experienced by these single-employer plans have prompted questions about the health of multiemployer plans. This report provides the following information on multiemployer pension plans: (1) Trends in funding and worker participation, (2) PBGC's role regarding the plans' financial solvency, and (3) potential challenges to the plans' long-term prospects. GAO is making no recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-04-423.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov.

March 2004

PRIVATE PENSIONS

Multiemployer Plans Face Short- and Long-Term Challenges

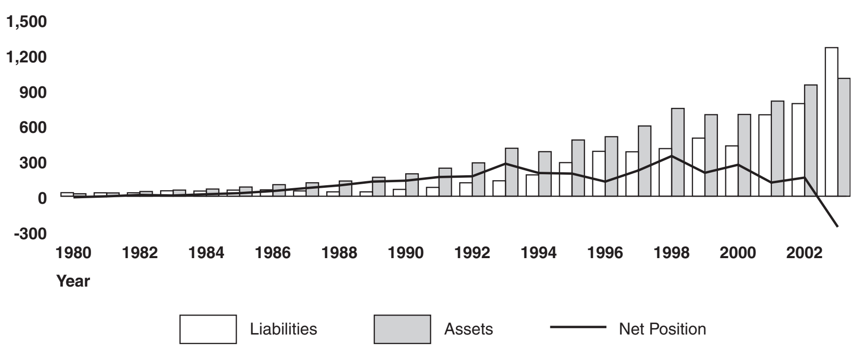
What GAO Found

Following 2 decades of relative financial stability, multiemployer plans as a group appear to have suffered recent and significant funding losses, while long-term declines in participation and new plan formation continue unabated. At the close of the 1990s, the majority of multiemployer plans reported assets exceeding 90 percent of total liabilities. Recently, however, stock market declines, coupled with low interest rates and poor economic conditions, appear to have reduced assets and increased liabilities for many plans. PBGC reported an accumulated net deficit of $261 million for its multiemployer program in 2003, the first since 1981. Meanwhile, since 1980, the number of plans has declined from over 2,200 to fewer than 1,700 plans, and there has been a long-term decline in the total number of active workers.

PBGC monitors those multiemployer plans, which may, in PBGC's view, present a risk of financial insolvency. PBGC also provides technical and financial assistance to troubled plans and guarantees a minimum level of benefits to participants in insolvent plans. PBGC annually reviews the financial condition of plans to determine its potential insurance liability. Although the agency does not trustee the administration of insolvent multiemployer plans as it does with single-employer plans, it does offer them technical assistance and loans. PBGC loans have been rare, with loans to only 33 plans, totaling $167 million since 1980.

Several factors pose challenges to the long-term prospects of the multiemployer system. Some are inherent to the multiemployer regulatory framework, such as the greater perceived financial risk and reduced flexibility for employers compared to other plan designs, and suggest that fewer employers will find such plans attractive. Also, the long-term decline of collective bargaining results in fewer new participants to expand or create new plans. Other factors threaten all defined benefit plans, including multiemployer plans: the growing trend among employers to choose defined contribution plans; the increasing life expectancy of workers, which raises the cost of plans; and continuing increases in employer health insurance costs, which compete with pensions for employer funding.

PBGC Multiemployer Program Assets, Liabilities, and Net Position, 1980 – 2003



Source: GAO analysis of PBGC data.