THE MULTIEMPLOYER PLAN CRISIS
HOW WE GOT HERE – TIMELINE

1980s –Part I - Motor Carrier Act (Trucking Deregulation)

- Congress deregulated the trucking industry in 1980 and in doing so, increased competition by, among other things, opening up entry into the industry for new competitors, most of whom did not participate in multiemployer plans.
- Before 1980, the trucking industry was highly regulated on rates, routes and new entrants; over 90 percent of the industry was covered by collective bargaining agreements and most companies and workers participated in multiemployer plans.
- After 1980, low cost operators who provided virtually no health or pension benefits, forced hundreds of participating trucking companies out of business and jeopardized the retirement security of tens of thousands of workers.

1980s – Part II - Multiemployer Pension Plan Amendment Act (MPAA)

- Congress passed MPAA imposing a new requirement for companies exiting multiemployer plans: "withdrawal liability."
- Withdrawal liability is assessed on a company's share of the total unfunded liability of the plan, including unfunded liability left by other companies.
- Loophole in the MPAA law calls for calculation of withdrawal liability in a way that often does not require exiting employers to pay their full unfunded liability.
- When employers exit a plan because of bankruptcy, plans usually recover a very small portion of the liability owed (often only pennies on the dollar).

1990s – Strong Investment Returns/Legally-Required Benefit Increases

- Multiemployer plans enjoyed strong investment returns in 1990s, which countered effects of deregulation; most plans became fully and/or overfunded.
- Under law, if a plan became fully funded, there were major tax disadvantages and employer contributions would have lost their deductibility.
- Many plans were effectively required to increase benefits, rather than build up reserves that could have provided protections during market downturns, like the one in 2008.
- This policy not only prevented plans from building up necessary reserves, it resulted in the adoption of benefit increases that permanently increased plan liabilities. Additionally, the anti-cutback rule prohibited plans from reducing those benefit increases when economic times were more challenging.

2000s – Part I - Market Decline

- In the 2001 – 2002 period, most plans suffered significant investment losses.
- Without strong investment returns to counter the loss of employer contributions, many funds immediately became under-funded and financially distressed.

2000s – Part II - Pension Protection Act (PPA) (2006)

- PPA was enacted to address the under-funding problems facing multiemployer plans.

- Required the identification of financially troubled plans and imposed strict requirement on plans to improve funding, including requiring the reduction of certain benefits.

2000s – <u>Part III - Markets Crash/Great Recession (2008)</u>

- Like all other investors, multiemployer plans lost 20-40% of their assets.
- Strict funding requirements designed to help funds required plans to dramatically increase employer contributions and reduce future benefit accruals.
- Employers increased the pace of withdrawals from plans because of concern over increased withdrawal liability (or potential greater financial underfunding exposure) as well as large annual rate increases and reduced benefits for their employees, further eroding the contribution base.

2010s – <u>Multiemployer Pension Reform Act of (MPRA) (2014)</u>

- MPRA provided plan trustees – for the first time – with authority to reduce retirement benefits for plans in "critical" and "declining" status.
- In order to implement those benefit reductions, plan trustees were required to submit an application to the U.S. Treasury Department for approval. The New York State Teamsters Conference Pension Fund submitted its plan on August 31, 2016.
- To date, 10 plans have submitted applications to Treasury; only 1 has been approved, 4 have been denied, 2 have withdrawn and 3 are under review.