



**COUNCIL for
CITIZENS
AGAINST
GOVERNMENT
WASTE**

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The Honorable Orrin Hatch, Chairman
The Honorable Sherrod Brown, Co-Chairman
Joint Select Committee on Solvency of Multiemployer Pension Plans
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Hatch, Co-Chairman Brown, and Members of the Committee,

On behalf of the more than one million members and supporters of the Council for Citizens Against Government Waste (CCAGW), I write to thank you for your commitment to solving the impending multiemployer pension crisis and encourage you to continue your bipartisan efforts to tackle this pressing issue heading into the 116th Congress.

Ten years ago, subprime mortgages went from being a little-known form of lending to becoming the precipitating factor in the international banking crisis that led to the Great Recession. Multiemployer pensions, which have been allowed to systematically underfund plans and make unrealistic assumptions on return rates, now have the potential to cause a similar economic crisis and taxpayer bailout.

Multiemployer pension plans hold more than \$600 billion in unfunded liabilities. The Pension Benefit Guaranty Corporation (PBGC), tasked with insuring these pension benefits, faces a \$54 billion deficit for such plans. While the PBGC is currently funded by insurance premiums rather than taxpayer dollars, the deteriorating fiscal situation could force Congress into tapping taxpayers to pay for the bailout of failing pensions.

While solutions for failing multiemployer pensions are difficult and multifaceted, I urge you to consider these general principles as a starting place for any ongoing or future legislative proposals:

1. Taxpayers must be protected from bailouts.
 - Any path to reform must rule out a standalone bailout, which would create a moral hazard and precipitate bailouts for other sectors of the economy, including state and local government pension plans.
 - Any taxpayer assistance program to address the immediate crisis must include robust and enforceable safeguards.
2. Unions, employers, and employees must all contribute in a meaningful way.
 - Any solutions must bring costs into line with benefits, which could entail a combination of increasing employee contributions; reducing benefits; allowing more flexibility and choice, including an employee buy-out option; and making additional

reforms for new employees.

- Emulate state and local officials who have successfully reformed their public employee pension systems, such as shifting from a defined benefit to a defined contribution program.
3. Structural changes must be included to enhance transparency and accountability at the PBGC.
- Establish stronger risk management practices in order to identify problems earlier.
 - Require the assumption of a reasonable return on investment.
 - Hold multiemployer plans to the more rigorous standards used by single-employer plans.

The longer the funding crisis for multiemployer pension plans remains unaddressed, the greater the likelihood that taxpayers will be left to foot a massive bill. As this session of Congress comes to a close, CCAGW hopes the members of the Joint Select Committee on Solvency of Multiemployer Pension Plans will continue to work toward a fair, viable solution that focuses on long-term reforms rather than a short-term bailout.

Sincerely,

Tom Schatz