October 26, 2018

Senator Orrin Hatch, Chairman
Senator Sherrod Brown, Co-Chairman
Joint Select Committee on Solvency of Multiemployer Pension Plans
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senators Hatch and Brown,

The Writers Guild of America West (WGAW) respectfully submits this statement to the Joint Select Committee on Solvency of Multiemployer Pension Plans. We are a labor organization representing more than 10,000 professional writers of motion pictures, television, radio, and Internet programming, including news and documentaries.

Representatives of WGAW, along with its sister guild, the Writers Guild of America East, and representatives from the Association of Motion Picture and Television Producers and its member companies, jointly administer a sound multiemployer pension plan with more than 17,000 participants. Founded in 1960, the Producer-Writers Guild of America Pension Plan currently has over $3 billion in assets under management and distributes more than $150 million in benefits annually.

WGAW urges the Joint Select Committee to protect the multiemployer pension system by introducing a federal credit program to rescue critical and declining plans. Significantly increasing Pension Benefit Guaranty Corporation (PBGC) premiums would only harm sound plans like ours. Congress must take action so that healthy multiemployer pension plans are not pushed to insolvency after being forced to pay for the benefits of retirees in failed plans.

The entire multiemployer pension system is now at risk because a few large plans are failing, having been disproportionately impacted by the Great Recession, demographics, and industry trends. Just three plans—the Central States Pension Fund, the Bakery and Confectionery Union and Industry International Pension Fund, and the United Mine Workers of America (UMW) Retirement Fund—account for nearly 63% of the unfunded liabilities of all critical and declining plans.[1] Meanwhile, the PBGC, the insurance mechanism put in place to guarantee retiree benefits in the event of plan failure, is itself on the brink of insolvency and unable to meet its expected $65 billion in obligations. If these three plans are allowed to fail, the PBGC itself will fail, and plan participants will receive as little as two to six cents on the dollar of earned retirement benefits.

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[1] Cheiron, *Cheiron Study finds 114 multiemployer pension plans projected to fail within 20 years, More than a million participants could lose benefits* (Aug. 22, 2017). Available at: https://cheiron.us/articles/Cheiron%20Analysis%20Critical%20and%20Declining%20Plans.pdf.

We firmly believe that a long-term, low-interest federal credit program is the best and fairest way to address the needs of plans in critical status and is the only way to address the mounting crisis without bankrupting the PBGC or permanently weakening otherwise healthy plans. Cutting benefits and raising employer contributions will not avert the impending failure of critical status plans.[2] Struggling plans need time and resources to restore actuarial soundness and keep themselves off of the PBGC's balance sheet. Congress clearly has the ability to design a loan program that protects both taxpayers and beneficiaries. Removing these plans from the PBGC balance sheet would, in a stroke, revitalize the multiemployer insurance program without the need to impose additional excessive surcharges or fees on healthy plans, the principal effect of which would be to increase the risk of future insolvencies.

The PBGC cannot be saved through premium increases. Multiemployer premiums have already risen 350% over the last ten years while the maximum guaranteed benefit is only $12,870.[3] Yet premiums would have to increase at least another 600% from an annual average of $35 per participant to at least $243 per participant in order to meet the PBGC's obligations over the next 20 years.[4] This would place a significant financial burden on healthy plans and deter new plan formation, triggering both greater PBGC liabilities and a need for ever higher premiums.

We believe that a legislative solution to the deficiencies in the multiemployer pension system should start with a federal loan program, rather than by destabilizing the system with PBGC premium spikes, or additional fees or surcharges.

Sincerely,

David J. Young

David J. Young
Executive Director

cc: Members of the Joint Select Committee on Solvency of Multiemployer Pension Plans

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[2] United States Chamber of Commerce, *The Multiemployer Pension Plan Crisis: The History, Legislation, and What's Next?* (December 2017). Available at: https://www.uschamber.com/sites/default/files/multiemployer_report_-_chamber_-final.pdf.

[3] Pension Benefit Guarantee Corporation, *Multiemployer Insurance Program Facts.* Accessed August 30, 2018. Available at: https://www.pbgc.gov/about/factsheets/page/multi-facts.

[4] National Coordinating Committee on Multiemployer Plans calculation based on PBGC estimates of premiums needed to meet average expected 20-year obligations.