AMERICANS for TAX REFORM

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WORKER FREEDOM
Liberate. Labor.

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Dear Member of Congress:

We write to urge Congress to reform multiemployer pension plans because of the negative impact insolvent pension plans would have on the U.S. economy, the federal government, and all Americans.

Currently, there are 100 multiemployer pension plans that will likely become insolvent if Multiemployer Pension Reform Act (MEPRA) benefits are not reduced, according to the Pension Benefit Guaranty Corporation (PBGC). Insolvency of these plans would require the PBGC to loan about $60 billion to pay for the guaranteed benefits of 1 million workers and possibly lead to the insolvency of the PBGC itself in 2026. Because of these problems, saving these plans in the future would likely require $600 billion, according to the Heritage Foundation, to pay future claims for the insolvent plans.

One viable solution to this problem is for the federal government to provide long-term loans at a low interest to troubled pension plans. These loans would cover the cash flow shortage of the plans for five years. In addition, the pension plan benefits could be reduced up to 20 percent.

After five years, the pension plans would repay their loans, paying only the interest for the first five years. However, to ensure the loans would be repaid, a Risk Reserve Pool would be established with non-government funds.

Americans for Tax Reform and the Center for Worker Freedom support this proposal because it addresses the problem of insolvent pension plans without providing a government bailout. Long term, policy should increasingly favor defined contribution plans and move away from defined benefit plans, whose profound problems continue to accumulate throughout our economy.

While it is unusual for ATR and CWF to support a solution that continues government loans, when combined with benefit cuts this approach has the potential to stop the bailout that could be triggered by the guarantee already established by law. **Supporting this proposal does not break your Taxpayer Protection Pledge.**

Sincerely,

Grover Norquist
Americans for Tax Reform

Olivia Grady
Center for Worker Freedom