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Pensions Need Help From Congress

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The House plans to vote on a COVID reconciliation bill this week. It is vital that Members of Congress support the pension provisions it contains.

Before the pandemic, a small but important group of multiemployer pension plans was heading toward insolvency. These insolvencies will cause the federal government's Pension Benefit Guaranty Corporation (PBGC) to become insolvent. These insolvencies will cause 1.3 million Americans to lose about 98 percent of their pension income and be forced onto the federal government's poverty safety net programs. This will also force thousands of businesses into bankruptcy or liquidation, costing tens of thousands of active workers their jobs.

COVID-19 also has significantly hurt these pensions, their participants, and the employers that jointly sponsor them. Multiemployer pension plans generally receive contributions based on the hours worked, so as hardworking Americans are unemployed, more employers are no longer contributing to pension plans. These lost employer contributions are devastating for all pension plans, but particularly for those plans in financial distress.

The Federal Reserve is taking actions that directly and negatively impact pension plans. These actions include expanding their balance sheet by \$3.1 trillion or more than 73 percent since last March. This extraordinary support and the Fed's commitment to keep it in place for years, has resulted in negative real yields (bond yield after accounting for inflation) on fixed-income securities. The Fed's actions have negatively impacted a large portion of the investment portfolio of pension plans as well as the PBGC's valuation of pension liabilities.

This week's COVID legislation is not the first time that multiemployer pensions were part of the COVID relief discussion. They were part of the CARES Act last March but were dropped with the expectation of inclusion in the second COVID bill shortly thereafter. That was disappointing given that Republicans included \$210 billion of retroactive tax breaks for 2018 and 2019 for corporations and the wealthiest Americans in the CARES Act, which had nothing to do with COVID.