Aging and Retirement

Fast Facts

Employer Withdrawal Overview: U.S. Multiemployer Pension Plans

SUMMARY

U.S. multiemployer pension plans generally cover unionized participants from more than one participating private sector employer. When an employer withdraws from a plan, it stops contributing. If the plan is underfunded, the employer is generally assessed withdrawal liability.

In general, a low percentage of employers withdraw annually, but a single employer may withdraw from several plans. Thus, a significant percentage of plans experience withdrawal. And the annual percentage of employers withdrawing has been declining.

Typically, withdrawal liabilities are less than 1% of a plan's total liabilities. But for about 1% of plans, withdrawal liabilities have exceeded 10% of total plan liabilities.

For a variety of legal and practical reasons, withdrawal liability actually paid may not cover the unfunded liabilities associated with a withdrawn employer.[1] Then the remaining employers must fund the gap, and participants may suffer lower benefits.

HIGHLIGHTS

- In 2016, 0.9% of all employers withdrew from 15% of plans which covered approximately 60% of all participants, about the same as in 2015.
- On average over 2009–2016, 1.1% of all participating employers withdrew annually from about 17% of plans, which covered 63% of all participants.
- The percentage of withdrawing employers dropped from 1.49% in 2009 to 0.85% in 2016, and the percentage of plans that experienced withdrawal fell from 18.5% in 2009 to 15.1% in 2016. At 60%, the percentage of participants in plans that experienced withdrawal was the same in 2009 and 2016.
- On average over 2009–2016, assessed withdrawal liabilities were 0.4% of aggregate plan liabilities. But individual plan experience varied widely. While over half of plans' assessed withdrawal liabilities were less than one-tenth of 1% (0.10%) of plan liabilities, 1% of plans that experienced withdrawal saw assessed withdrawal liabilities of more than 10% of plan liabilities.[2]
- On average over 2009–2016, plans that experienced withdrawal had 1.81 inactive participants for every active participant, while plans that did not experience withdrawal had 1.45 inactive participants for every active participant. Because withdrawal further increases these figures, withdrawal tends to increase a plan's risk of future funding challenges.

[1] Withdrawal liabilities are governed primarily by the Employee Retirement Income Security Act §§4201-4225, as amended.

[2] Plan liabilities as computed for determining funded status zone under Employee Retirement Income Security Act §305 (Internal Revenue Code §432).

LINK TO FULL REPORT

Employer Withdrawal Overview for U.S. Multiemployer Pension Plans
https://www.soa.org/research-reports/2015/2015-multi-employer-plan-withdrawal/

METHODOLOGY

- Time frame: 2009–2017; the most recent year of complete reporting is for plan years beginning in 2016. In addition, data reflect 2017 reporting for about 55% of plans representing roughly 70% of total multiemployer plan liabilities.
- Many participants have earned benefits under more than one multiemployer plan, and many employers contribute to more than one of these plans. This study reflects the sum of reported employer and participant counts for each plan.
- Employer withdrawal can be especially difficult to identify for plans in the construction and entertainment industries because of industry-specific dynamics. This study reflects withdrawals as reported.

REPORT SPECS

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- Data source: Department of Labor database of Form 5500 "Annual Return/Report of Employee Benefit Plan" filing database as of Dec. 6, 2018.

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