



## Joint Select Committee *on the* Solvency of Multiemployer Pension Plans

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**CONTACT:** [Nicole Hager](#), [Katie Niederee](#)

202-224-4515

### **Hatch Opening Statement at Joint Committee Hearing Examining the Financial State of America's Pension Insurer**

**WASHINGTON** –Joint Select Committee on Solvency of Multiemployer Pension Plans Co-Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a committee hearing examining the state of the Pensions Benefit Guaranty Corporation (PBGC).

*This is the Joint Select Committee's second hearing to delve into issues concerning operations of the multiemployer pension system.*

*As I noted last time, it is critical for us to remember that the mandate of the Joint Select Committee is not just to develop reports and recommendations on the multiemployer plans, but to also review the solvency of the Pension Benefit Guaranty Corporation.*

*To do this, we have brought in one of the nation's top experts on the PBGC, Tom Reeder—who happens to also be the current director of the corporation, which insures benefits for the more than 30 million Americans in defined benefit pension plans.*

*To provide context, one of the core issues confronting pension policymakers is the issue of benefit security.*

*Pension benefit security and protection can be approached in a number of ways, including strong pension plan funding rules, robust asset management requirements, and meaningful disclosure mandates.*

*In the United States we have historically used a benefit guaranty system—essentially a form of insurance—for many defined benefit pension plans to cover lost pension income if a retirement plan becomes insolvent or sponsoring employers go bankrupt.*

*The problem is that the U.S. system is very complicated and often difficult to effectively operate.*

*There are a lot of moving parts, and numerous variables for which to account.*

*Some of those variables include questions on how plans are insured, to what extent are benefits guaranteed, and how can we sufficiently fund the system while still ensuring employers are properly incentivized to sponsor retirement plans?*

*The problems don't end there though. It is clear that since its inception in 1974, the PBGC has faced design and operational issues that have made achieving its policy goals difficult.*

*This morning, Mr. Reeder will provide an overview of the PBGC's structure and finances, answering key questions about the organization, including how it is structured and, most important, how it is financed.*

*It is imperative that the Joint Select Committee develop a solid base of knowledge about the corporation and how it is funded before turning to the PBGC's current funding status.*

*And, in a word, that funding status is troubled. I won't recite the grim statistics because we have all read them, and we are all deeply concerned.*

*Over the course of the next weeks and months in the Joint Select Committee, I trust that we will learn more about the economic and demographic forces that impact the multiemployer system, and consequently the financial health of the PBGC.*

*But today, let's dig into the fundamentals first.*

*After all, it's hard to plot a course without getting a good map of the terrain.*

*As we work today with Mr. Reeder, here are some fundamental questions I think both sides should keep in mind:*

*What is the corporation's charter, and how does that effect its operations and success?*

*What does it mean to be a wholly-owned government corporation?*

*What are the PBGC's core functions and how is it structured to achieve those functions?*

*Does PBGC have the right tools and flexibility to intervene in the management and operation of troubled multiemployer plans?*

*How does the corporation manage the funds under its management?*

*Also, importantly, how do the insurance premiums work to fund the plan guarantees?*

*And, is this all the right model for the economic and demographic markets in which these plans operate?*

*Frankly, I believe we need to get these answers and then spend some time understanding what those answers mean before the Joint Select Committee can effectively consider any proposals to repair the multiemployer system.*

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