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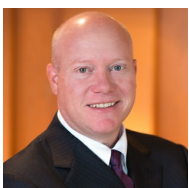
Many multiemployer pension plans are facing a funding crisis. Several factors over the last 10 years have contributed to threaten the long-term sustainability of the multiemployer plan system, including the economic downturn, historically low interest rates, and a significant reduction in contributing members. Because of this "perfect storm," most plans now have trouble meeting ERISA's minimum funding requirements. The Pension Protection Act (PPA) was enacted by Congress in 2006 and became effective in 2008 to try and combat these funding issues by imposing new, more stringent funding requirements as well as providing some assistance to the most financially distressed plans in the form of additional contribution and excise tax requirements.

The funding benefits provided by the PPA, however, are scheduled to end in 2014. Meanwhile, the Pension Benefit Guaranty Corporation (PBGC) – which assumes financial responsibility for financially distressed multiemployer plans – estimates that its funds will be drained within the next 10 years. Because of this, the PBGC projects multiemployer pension plan insolvencies to become more likely and more imminent in the absence of reform to the multiemployer pension system.

Time is running out for Congress to address the sunset of the PPA in 2014. There are several options for Congress to explore, and it is likely that a combination of options will need to be implemented in order to save many multiemployer pension plans. It is important for employers to understand the status of such plans and their potential exposure before participating in multiemployer pension plans. Likewise, employers who are already participating in a multiemployer plan should investigate the funding status of their plan and pay close attention to any changes in legislation that may affect their funding.

Please see our recent alert – *Serious challenges facing Multiemployer Pension Plans in 2014* – for a detailed discussion of the issues facing multiemployer pension plans.

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