

A multiemployer pension plan is a plan which covers the employees of two or more financially unrelated employers. Pension contributions are payable into one common fund, and benefits are payable to all employees from the pooled assets of the fund. Plan assets are not earmarked or accounted for in terms of balances held on behalf of specific employers. The definition excludes so-called multiplant pension plans established by one employer. Also excluded from this definition of a multiemployer plan are those joint plans established by a parent corporation and one or more of its subsidiaries. Nor does the definition include situations in which employers pool pension contributions solely for purposes of greater investment diversification. A common trust fund operated by a corporate trustee for pension and profit-sharing plans is not considered to be a multiemployer plan. Lastly, the discussion in this section is limited to *negotiated* multiemployer plans, since the bulk of these plans have been established as a result of collective bargaining.

ARGUMENTS FAVORING A MULTIEMPLOYER ARRANGEMENT

FROM STANDPOINT OF EMPLOYER

Uniform Contribution Rates.—Multiemployer pension plans are often found in highly competitive industries. In many instances, product differentiation is relatively minor, making product price an extremely important competitive factor. Therefore, the economics of the industry may preclude the establishment of single-employer plans requiring varying employer cost commitments. An important function of the union in some industries is the maintenance of uniform labor costs. For example, in the garment and hosiery industries the wage differentials of the nonunion shops create significant competitive problems for the unionized segment of the industry. Employers have on occasion supported, with financial assistance, union organizing activities to help equalize labor costs in these trades. In the negotiation of a pension benefits the same emphasis on a uniform contribution commitment can be expected to prevail.

Differentials in employer contribution rates may be justified under various circumstances, although such differentials are the exception rather than the rule. For example, the admission of a new employer to the group may result in a disproportionately high increase in plan liabilities. Also, where the initial participating employers have borne the full impact of the organizational costs, adjustments in the contribution commitments of new employers may be in order to minimize the possibility of adverse selection. Contribution differentials may be necessary where the union cannot obtain a uniform rate because of differences in the economic position of various employers, or where bargaining occurs at differing time intervals. Of course, the financial obligation should vary if differences in benefit levels or eligibility requirements exist between employers.

It should be emphasized that the term "contribution rate" is not the same as "cost" in its broadest sense. The cost of the plan may be borne disproportionately by employers depending on differences in the cost characteristics of each employee group, delinquency or default in contribution payments, business failures of some employers, etc. Also,