FACT SHEET

Pension and Retirement Security

The Butch-Lewis Act

The multiemployer pension system has for many decades been an essential foundation for providing financial security comfortability in retirement for millions of Americans and their families. Now, through no fault of their own, the earned pension benefits of millions of retirees are being threatened due to the impending insolvency of a number of multiemployer plans. To make matters worse, the government agency that insures a portion of these pensions, the Pension Benefit Guaranty Corporation (PBGC), is likely to simultaneously become insolvent as well. Legislation proposed by Senator Sherrod Brown and Rep. Richard Neal, HR 4444/ S 2147, informally known as the Butch Lewis Act, would provide long-term, low interest loans to help shore up these pension funds and allow pension beneficiaries to continue to receive their benefits without cuts.

Congress recently created the Joint Select Committee on Solvency of Multiemployer Pension Plans. This committee must vote on a report containing findings, conclusions, recommendations and legislation to support the recommendations no later than November 30, 2018. The Butch Lewis Act is the only proposal that will provide a path to financial health for troubled pension plans, alleviate pressure on the PBGC, and ensure that retirees and active members in these plans receive all of the benefits they earned.

The GROW Act

The Give Retirement Options to Workers (GROW) Act (HR 4997), introduced in March 2018, is intended to offer an "innovative" alternative to traditional pension plans, particularly for multi-employer plans. However, this new "composite" pension plan design will instead add more risk to our current pension system.

The GROW Act would create two plans – the existing plan and the new composite plan – out of a single, finite pool of assets. This sets up both plans for failure. Existing plans could refinance their obligations over 25 years – more than 10 years longer than current law allows. This reduces available funds for benefits under existing plans, making them vulnerable to funding shortfalls – and thus at risk for significant benefit cuts – in times of market volatility.

In addition, the GROW Act would also make it easier for employers to withdraw from existing multiemployer pension plans altogether, without paying their fair share of their obligations to participants. Under current law, employers withdrawing from a pension plan must pay a "withdrawal liability" based on their contribution to the plan. The GROW

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Act would eliminate withdrawal liability for new composite plans, and it would dramatically reduce the cost of withdrawing from an existing plan.

With inadequate funding, both existing and composite plans will be unable to endure normal market fluctuations, increasing the likelihood of dramatic cuts to retirees' benefits to make up the shortfall. Moreover, active workers in composite plans might face deep cuts to their promised benefits. In a situation where a composite plan is not projected to be 120% funded 15 years into the future, plans <u>must</u> cut the future benefits of active workers to make up the shortfall, unless employers increase contributions.

In addition to no withdrawal liability for employers, composite plans would not be insured by the PBGC and would be exempt from PBGC premiums. Not only will this have a detrimental effect on the financial stability of the PBGC, but will leave workers and retirees in these new composite plans completely vulnerable.

Boilermakers' Message to Senators and Representatives:

<u>The Butch-Lewis Act</u>

- **Support and Cosponsor HR4444 and S2147 – The Butch Lewis Act, and ask members of the Joint Select Committee on Solvency of Multiemployer Pension Plans to make the Butch Lewis Act the cornerstone of their final recommendations.**

<u>The GROW Act</u>

- **House Members: Oppose and do not cosponsor the GROW Act, HR4997.**
- **Senate Members: Oppose any effort to introduce similar legislation in the Senate.**