FACT SHEET

Pension and Retirement Security

Rehabilitation for Multiemployer Pensions 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. However, of the 1,400 plans currently covering 10 million workers and retiree, approximately 130 plans are now in a "critical and declining" status – projected to run out of money within the next 10-20 years. Many of these plans have funding problems resulting from the financial crises of 2000-2002 and 2008-2008, deregulation of certain industries, and the off-shore flight of U.S.-based companies. Through no fault of their own, the earned pension benefits of millions of retirees are being threatened due to these impending insolvencies. 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 if a small portion of these "critical and declining" pension plans fail.

Legislation proposed by Representative Richard Neal, the Rehabilitation for Multiemployer Pensions Act (**H.R. 397**), 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. The bill creates a Pension Rehabilitation Administration, within the Department of Treasury, to administer qualified underfunded multiemployer pension plans. Plans would have up to thirty years to pay earned retiree benefits, while investing the loan proceeds and continued employer contributions in order to return to a healthy status and solvency. The plan would repay the loan at the end of the thirty years.

New Plan Designs

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

For example, the GROW Act would have created 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.

INTERNATIONAL BROTHERHOOD OF BOILERMAKERS DEPARTMENT OF GOVERNMENT AFFAIRS
1750 New York Avenue, NW, Suite 335, Washington, DC 20006 ■ 202-756-2868 phone ■ 202-756-2869 fax ■ www.boilermakers.org
Cecile Conroy ■ Director of Government Affairs ■ cconroy@boilermakers.org

In addition, the GROW Act would have made 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 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>

- House Members: Support and co-sponsor The Rehabilitation for Multiemployer Pensions Act, H.R. 397.
- Senate Members: Introduce and co-sponsor legislation similar to The Rehabilitation for Multiemployer Pensions Act.

<u>New Plan Designs</u>

- House Members: Oppose and do not co-sponsor new pension plan designs such as "composite plans."
- Senate Members: Oppose and do not co-sponsor new pension plan designs such as "composite plans."