



Current Legislative Events *Multiemployer Plans*

NCCMP

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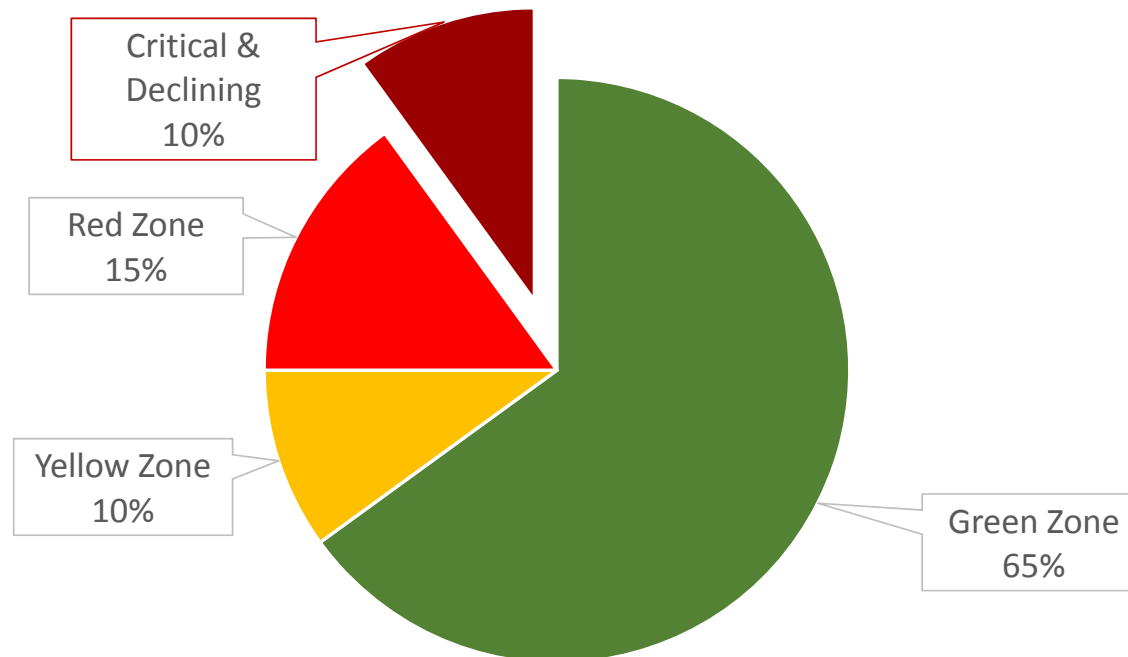
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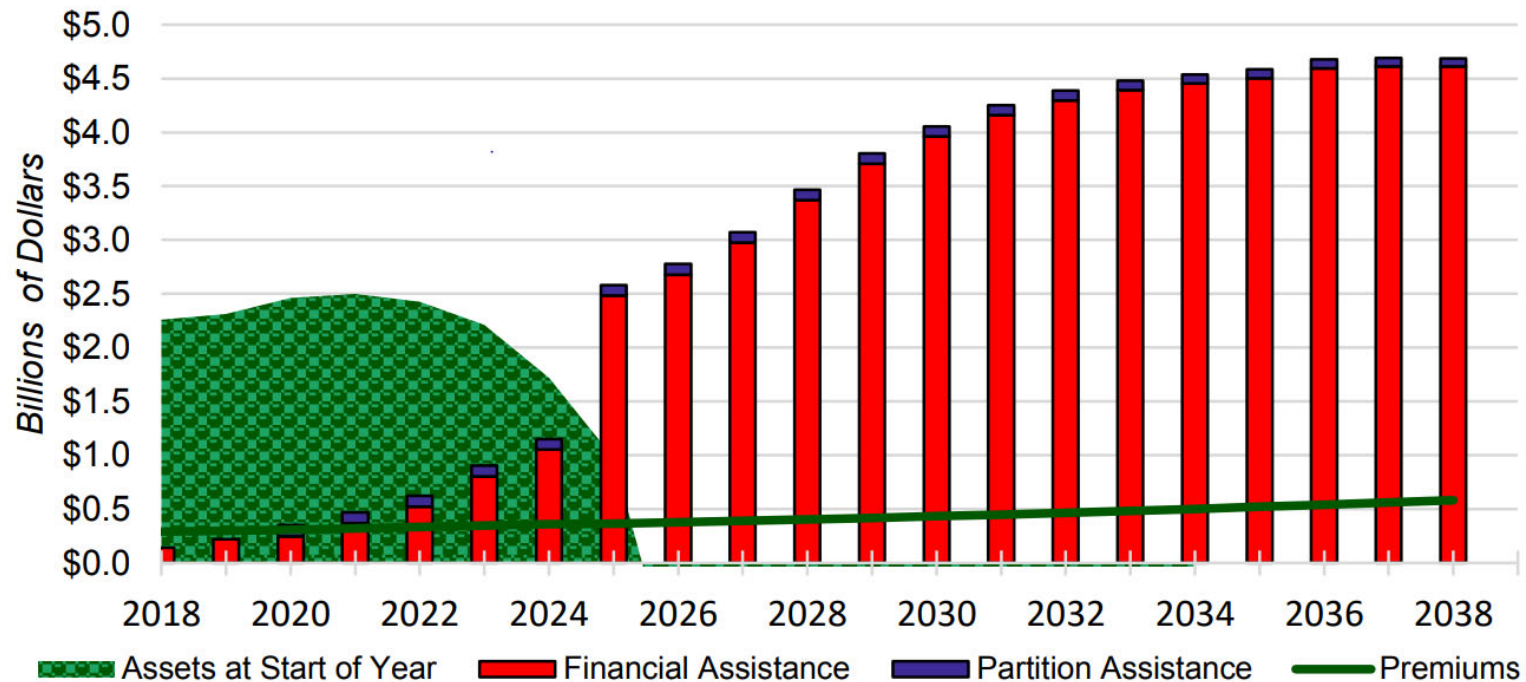
Background

- Most multiemployer plans are healthy
 - 65% plans in the Green Zone (June 2018 Zone Survey, Segal Consulting)
- 10-15% of plans face inevitable insolvency
 - More than 1 million participants will be affected



PBGC Multiemployer Fund Insolvency

**PBGC Assets, Average Assistance Payments and Premiums by Fiscal Year
(Projected in Nominal \$ Amounts)**



Source: PBGC 2018 Projections Report



Consequences of Inaction Benefit Reductions Under Current Law

Examples from MPRA Applications

(\$ Billions)	Contractual Benefits Payable	Benefits Payable Under MPRA Application	PBGC Current Law (Maximum \$12,870 Annually at 30 Years) Benefits Payable	PBGC Benefits Payable at PBGC Insolvency
MPRA Applicants*	\$6.02	\$4.06	\$2.83	\$0.14 - \$0.35
Percent Benefit Reduction from Contractual Benefits Payable	0.00%	36%	53%	94% to 98%

* Central States, Southeast and Southwest Areas Pension Plan, New York State Teamsters Conference Pension & Retirement Fund, Western States Office & Professional Employees Pension Fund, Southwest Ohio Regional Council of Carpenters Pension Plan, Iron Workers Local 17 Pension Fund, Teamsters Local 469 Pension Plan, Local 805 IBT Pension & Retirement Plan, Ironworkers Local 16 Pension Fund, Int'l Assoc. Of Machinists Motor City Pension Fund, Alaska Ironworkers Pension Plan, Bricklayers and Allied Craftworkers Local 5 Pension Plan, and the Bricklayers & Allied Craftsmen Local No. 7 Pension Plan.



Consequences of Inaction Costs to the Federal Government – 10 year

Federal Costs (2019-2028) - No Change to Current Law (\$Billions)				
Federal Tax Revenue Source	15% Employment Losses	25% Employment Losses	40% Employment Losses	100% Employment Losses
Pensions and Pension Based Output	\$19.6	\$19.6	\$19.6	\$19.6
Wages and Wage Based Output	\$12.5	\$20.8	\$33.3	\$83.1
Total Federal Tax Revenue Loss	\$32.1	\$40.4	\$52.8	\$102.7
New Federal Safety Net Spending	\$138.3	\$138.3	\$138.3	\$138.3
Total Federal Costs	\$170.4	\$178.7	\$191.1	\$241.0



Joint Select Committee on Solvency of Multiemployer Pension Plans

- As part of Bipartisan Budget Act of 2018, Congress convened the Joint Select Committee on Solvency of Multiemployer Pension Plans
 - Passed and signed by the President on February 9, 2018
 - Bipartisan
 - House and Senate
- Tasked with “significantly improv[ing] the solvency of multiemployer pension plans and the Pension Benefit Guaranty Corporation”



Joint Select Committee

- 16 members appointed by House and Senate Leaders
 - 8 Senators (4 Republican and 4 Democrat)
 - 8 House members (4 Republican and 4 Democrat)
- 5 hearings held in 2018:
 - The History and Structure of the Multiemployer Pension System (April 18)
 - The Structure and Financial Outlook of the Pension Benefit Guaranty Corporation (May 17)
 - Employer Perspectives on Multiemployer Pension Plans (June 13)
 - Understanding What's at Stake for Current Workers and Retirees (July 13)
 - How the Multiemployer Pension System Affects Stakeholders (June 25)
- Was to report a bill by last week of November 2018
 - Would have received expedited treatment in Senate



JSC Concepts

- Mid-November 2018, preliminary draft document became available:
 - MPRA repealed
 - New Liability Removal Program: distressed plans can partition orphaned liability to the PBGC
 - Up to \$3B per year of Federal funding available to fund liability removal program
 - Increase PBGC guarantee from \$35.75 to \$70 per month per year of service
 - Plan failure is defined at the point when plan is projected to be within five years of insolvency
 - Changes to Withdrawal Liability Rules



JSC Concepts

- **Stricter Funding Rules:**
 - Mandated lower discount rate (corporate long bond rate + 2%; 6.55%)
 - Reduced asset smoothing
 - Limitation of credit balances
 - Required stricter requirements for endangered and critical plans
- **Increased PBGC Premiums:**
 - The plan (new variable rate premium),
 - Unions and employers (\$2 per month per active participant),
 - Retiree premium as percent of benefits paid (0% if green zone, 2% if yellow zone increasing up to 6% for the most troubled plans), and
 - New exit premium for employers (in addition to withdrawal liability)



JSC Results

- Preliminary JSC document universally rejected by multiemployer community
- Joint Select Committee dissolved at the end of 2018 without issuing legislation or a report . . .
- BUT – Hill staff on both sides of the aisle have far greater depth of knowledge of multiemployer plans and greater understanding of the need to work with stakeholders



What's Happening Now?

- Decision-making reverted to Committees of jurisdiction in House and Senate
 - House Committee on Ways and Means
 - House Committee on Education and Labor
 - Senate Committee on Finance
 - Senate Committee on Health, Education, Labor, and Pensions



On the House Side

- Butch Lewis introduced in House January 9, 2019 (H.R. 397)
- House Education and Labor Subcommittee on Health, Employment, Labor, and Pensions hearing
 - “The Cost of Inaction: Why Congress Must Address the Multiemployer Pension Crisis” held March 7, 2019
- Mark ups in:
 - House Committee on Education and Labor on June 11, 2019
 - House Committee on Ways and Means on July 10, 2019
- Butch Lewis passed House in July 24, 2019 (264-169)



But What About the Senate?

- Senate clearly remains focused on two questions:
 - “Solving the current crisis” AND
 - “Making sure this doesn’t happen again”



“Solving the current crisis”

- Butch Lewis Act introduced in Senate July 24, 2019 (S. 2294)
 - 35 co-sponsors (33 D, 1 I, and 1 R)
 - Not likely to gain broad support from Senate Republicans
- “Liability removal” via partition
 - Can think of partition as a reverse loan – removes benefit obligations rather than adds assets
 - Increased certainty of funding for plans and participants
 - No repayment of loan amount



“Making sure this doesn’t happen again”

- Tightening of funding rules
 - Discount rates
 - Zone rules
- Additional trustee tools to manage plan funding
- Increased PBGC premiums / increased guarantee
- New plan designs



Next steps...

Step 1—Long-awaited Grassley whitepaper expected to be released this week

- Will set out Republican starting point for addressing multiemployer pension crisis
- Likely to embody Senate Republican themes over the past year
- Good faith effort to make progress toward bipartisan negotiations expected during the remainder of the year



Next steps...

Step 2—Bipartisan negotiations through the remainder of the year to arrive at a solution that:

- Rescues failing plans
- Protects participant benefits
- Restores the PBGC
- Provides new options to stabilize the multiemployer system for the future
- And does so without harming healthy plans





Questions?

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National Coordinating Committee for Multiemployer Plans