COWDEN

LEGISLATIVE UPDATE

February 8, 2021

Competing Multiemployer Pension Reform Bills

We now have another showdown between vastly different multiemployer relief proposals. Recently, Representative Richard Neal (D-MA) introduced the Emergency Pension Plan Relief Act of 2021 (EPPRA). This is similar to the previously released Butch-Lewis Act, although there is at least one significant difference of note. EPPRA now competes with the bill introduced in December by Senator Grassley (R-IA) called the Chris Allen Multiemployer Pension Recapitalization and Reform Act of 2020 (Allen Act).

While there are several differences between bills, at the core is the major philosophical difference on how to solve the PBGC financial crisis—EPPRA seeks to do it through federal funding while the Allen Act seeks to have the majority of the money come from every multiemployer pension plan by way of significantly increased PBGC premiums.

Here is a comparison of the key components that will be of most interest to Trustees, at least immediately:

	EPPRA	Allen Act
How PBGC and Financially Struggling Plans Will Be Supported	Easier PBGC Partition Program where liabilities are shifted to PBGC. Eligible plans would be those in a) Critical and Declining Status b) Already have an approved MPRA benefit suspension, or c) Critical Status with other demographic conditions met. Amounts shifted to PBGC would aim to cause the Fund to reach 80% funded within 30 years.	Significantly increased PBGC Premiums from all multiemployer plans, unions, participating employers, and many retirees. See PBGC Premium section. Loans from Treasury up to $500 million annually. Easier PBGC Partition Program where liabilities are shifted to PBGC.
PBGC Premiums	No change from current law. Premiums are currently $31/person for 2021 and inflation indexed.	Premiums would be significantly increased and due from multiple parties. The **Fund** portion would now be two parts: a flat rate of $86/person (inflation indexed) and a new variable rate piece equal to 1% of unfunded liability, with a total cap at $250/person with inflation indexing. The **Union and Employer** would **each** be required to pay monthly premiums of either $1.00, $1.50, or $2.50 per active employee, where the amount depends on the Plan's zone status. **Retirees** would have a "co-payment" that is a reduction of their monthly benefit of one of the following percentages - 3% if in Endangered Status, 5% if in Critical Status, 7% if in Declining Status (renamed as described later), 10% if under a Partition, or 7% if Insolvent or Plan is Frozen. Retiree co-payments are phased out from ages 75 to 80 and eliminated at 80.
MPRA Benefit Suspensions	Would not permit future suspensions and would require plans to undo prior suspensions, including making whole retirees who had any benefits previously reduced.	No provisions to change existing law.
Alternative Plan Designs	No provisions.	Establishes "composite plans" that are exempt from PBGC guarantees and premiums, and withdrawal liability. By design these plans would always be fully funded with investment risk fully borne by the plan participant.
Funding Rules	Minor relief provisions.	Would cap investment return assumptions at rate to eventually become 6.5% by 2036.

Other provisions of the bill exist and may have a relevant impact on your plan. For more information, contact Brad Rigby, Vice President of Retirement and Actuarial Services at bradr@cowdenassociates.com or 412.394.9980.