

Multiemployer Pension Financing Bill Introduced

The Joint Select Committee on Solvency of Multiemployer Pension Plans (JSC) was formed in early 2018 with the objective of developing legislative solutions to improve the solvency of multiemployer pension plans and the Pension Benefit Guaranty Corporation (PBGC). Unfortunately, the JSC failed to agree on any proposals.

As a result, recent legislation has been introduced in the House of Representatives that is a form of the Butch Lewis Act, titled the Rehabilitation for Multiemployer Pensions Act. Under this proposal, the legislation would establish a federal loan program for critical and declining multiemployer pension plans administered through a newly-created federal agency, the Pension Rehabilitation Administration (PRA).

Under this legislation, the PRA would issue bonds that would finance loans to:

- Critical and declining multiemployer pension plans
- Plans that have suspended benefits under the Multiemployer Pension Reform Act
- Recently insolvent plans receiving financial assistance from the PBGC

Procedurally, eligible plans would apply for a loan to fund the plan's obligations for the benefits of current retirees and beneficiaries. Plans that receive a loan would then be required to fund the obligations to those in pay status choosing one of the following options:

- **Annuity Purchase** - purchasing annuity contracts
- **Duration Matching or Cash Matching Portfolio** - investing the loan proceeds in a cash or fixed income portfolio designed to match the specific benefit liabilities
- **Treasury-Specified Portfolio** - investing in some other portfolio prescribed by the Secretary of the Treasury in regulations

Under the proposal, the annuity contracts and fixed income portfolios purchased with the loan proceeds would not be taken into consideration determining an employer's withdrawal liability, but the benefits covered by the annuity contracts would be.

In addition, if an employer withdraws from the plan during the term of the loan, the employer's withdrawal liability would be determined under the mass withdrawal rules, such that the 20-year cap on the number of withdrawal liability payments would not apply and the withdrawing employer would be required to pay any additional reallocation liability.

It is uncertain at this point the logical path for this bill and where it may end up. We will continue to monitor this situation and advise accordingly.

[Please share your thoughts!](#)

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