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Rehabilitation for Multiemployer Pension Funds Act of 2019 (RMPA) and Its Potential Impact

On July 24, the U.S. House of Representatives passed the Rehabilitation for Multiemployer Pensions Act of 2019 (RMPA). This bill has been commonly referred to as the Butch Lewis Act.

A brief summary of the main provisions of the bill are as follows:

- Establishes a new agency within the Treasury to administer a separate Fund for the purpose of providing low interest loans to troubled multiemployer plans.
- The interest rate must be between the 30-year Treasury rate as of the beginning of the calendar year and 20 bps over the 30-year Treasury rate on the date of the loan.
- The loans provided will be 30-year interest only with a balloon repayment at the end.
- Plans eligible to receive assistance must meet <u>at least one</u> of the following criteria as of the date of enactment:
    1. Are in critical and declining status or have already been approved for a suspension of benefits under the Multiemployer Pension Reform Act of 2014 (MPRA).
    2. Are in critical status, have a modified funded percentage of less than 40%, and have a ratio of active to inactive participants of less than 2 to 5. Modified funded percentage is calculated using market value of assets and liabilities measured using an interest rate of average 30-year Treasuries (3.06% as of January 2019).
    3. Became insolvent after December 16, 2014 and remain insolvent and have not been terminated.
- Plans that were approved for a suspension of benefits under MPRA <u>must</u> apply for a loan. If the loan is approved, then the suspended benefits must be restored, including a retroactive payment of amounts previously reduced.
- Plans applying for loans must demonstrate that they will avoid insolvency for the 30-year period, calculated to reflect regular benefit payments as well as loan interest and the balloon repayment.
- Among other required information, the Fund must provide information about how the loan proceeds will be invested, and identify the investment manager for the portfolio.
- There are <u>no</u> provisions in the bill for increased PBGC premiums.
- The Treasury is required to approve or deny applications within 90 days.

While the bill passed the House with bipartisan support, including yea votes from 29 Republicans, the bill faces an uncertain future in the Senate as Republicans have often voiced opposition to funding for the multiemployer pension crisis, which they view as a bailout.

The impact of this legislation on your plan will depend on the situation you find yourself in currently. The bill does not seem to provide for future eligibility if a plan is not eligible at the time of enactment. While it is good news for all plans that this bill does not include any PBGC premium increases, some plans that would benefit from provisions to help them get out of a stagnant situation may be ineligible because of plan demographics. If this legislation is your only hope, a review with your actuary regarding potential options to become eligible may be advantageous.

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