COWDEN

LEGISLATIVE UPDATE

January 11, 2021

Summary of the Multiemployer Pension Bill Introduced by Senator Grassley

On December 17, 2020, Senator Grassley (R-IA) on behalf of himself and Senator Alexander (R-TN) introduced a proposal called the Chris Allen Multiemployer Pension Recapitalization and Reform Act of 2020. The bill is largely similar to the Grassley-Alexander proposal that they introduced in late 2019, but there are some changes that are worth noting. While the future of the proposal remains to be seen, the makeup of the new Congress and Administration will likely make for an uphill battle. A brief summary of the main provisions of the bill are as follows:

PBGC Guarantees

- Increased by roughly $600 per month, if member has 30 years of service

PBGC Premiums, effective after 12/31/2021

- Current flat rate amount per participant ($31 for 2021) continues with annual inflation (changed provision—was previously $80 for first effective year)
- Variable rate equal to 1% of unfunded liability (determined using very low rates)
- Maximum per participant is $250 (or other threshold not applicable in most situations)
- Plus, the following amounts paid by the retirees (other than disability benefits and phased out past age 75)
    - 3% of the benefit if the plan is in Endangered Status
    - 5% of the benefit if the plan is in Critical Status
    - 7% of the benefit if the plan is in Critical and Declining Status
    - Plus, an amount paid by **each** of the employer and the union for each employee per month of $1.00, $1.50, or $2.50 depending on the plan's zone status (minor change—was previously $2.50 for all plans).

Funding Rules

- Green zone (would be called "Unrestricted Status") has additional requirement based on very conservative liability measurement and projected funded percentage 15 years out
- Investment return assumption capped at 7.5% for 2021 and phased to 6.5% over 15 years (changed provision—was previously tied to corporate bonds rates but no greater than 6.0%)

Alternative Plan Design

- Establishes "composite plans" that are exempt from PBGC guarantees and premiums, withdrawal liability, and minimum funding rules. By design, these plans would always be fully funded with the investment risk fully borne by the plan participant.

PBGC Solvency

- Would receive up to $500 million annually in Treasury loans
- Strengthened by easier PBGC partition process

Other provisions of the bill exist and may have a relevant impact on your plan. Please contact Brad Rigby at Cowden for more information.

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