THE BIPARTISAN "MULTIEMPLOYER PENSION REFORM ACT"

THE PROBLEM:

More than a million Americans currently have their retirement savings in multiemployer pension plans that are severely distressed and expected to collapse in the near future. Under a law that's been in place for more than four decades, workers and retirees in these failing plans will see their benefits cut severely.

Even more troubling, the failure of these plans will bankrupt the Pension Benefit Guaranty Corporation (PBGC), which serves as the federal backstop charged with protecting these workers' pensions. If the PBGC collapses, **all 10 million workers with a multiemployer pension—even those in currently healthy plans—will be put at risk, and many retirees will be left with nothing**.

Demographic changes, the Great Recession, and other challenges have led to this crisis, which will have far-reaching consequences. Plans have already taken every step possible to stay afloat, but the options available were still not enough to protect workers' retirement. Failing to address this looming disaster would have meant:

- **Less retirement security.** Men and women across the country—whether working or retired—have been promised that a multiemployer pension will help provide financial security as they age. Unfortunately, this promise is now in jeopardy for many Americans.

- **Fewer good-paying jobs.** To address funding challenges, trustees of troubled plans often have no choice but to dramatically increase employers' financial contributions to the plan. These resources are then no longer available to be spent growing businesses, creating new jobs, or raising workers' wages.

- **Greater risks to taxpayers.** As more plans go bankrupt, the financial strain placed on the PBGC would place taxpayers at risk of needing to pay for billions of dollars in unfunded liabilities.

Employers and union leaders have long recognized the urgent need to reform the system and called on Congress to take action to protect the retirement security of workers across the country.

THE SOLUTION:

The *Multiemployer Pension Reform Act* was based on work previously done by the National Coordinating Committee for Multiemployer Plans. Representing labor and management, the organization introduced "Solutions, Not Bailouts," a framework for multiemployer pension reform that proposed allowing the trustees of deeply troubled plans to take action to rescue plans from insolvency. The challenges facing the multiemployer system, as well as possible reforms, were also the focus of nearly three years of legislative work, including 7 congressional hearings. Each day Congress failed to act, the challenges facing these troubled multiemployer pension plans were only getting worse.

That is why Education and the Workforce Committee Chairman John Kline (R-MN) and senior Democrat George Miller (D-CA) introduced the bipartisan Multiemployer Pension Reform Act. Backed by business and labor leaders, the proposal was passed by Congress and signed into law by President Obama in December 2014. It represents the only option that can save these failing plans without a taxpayer bailout, and it is the last chance that labor unions and their members have to gain some control over the future of their pensions. This reform would give multiemployer pension plans the tools they need to rescue themselves.

The bipartisan law provides the critical flexibility necessary to keep pension plans from going under and causing workers to lose everything. The law includes reforms to protect taxpayers and provide trustees with new tools to save troubled plans. It also includes important consumer safeguards to give participants in these plans a voice and to protect the most vulnerable retirees.

Specifically, the bipartisan *Multiemployer Pension Reform Act*:

- Permits trustees of severely underfunded plans to adjust vested benefits, enabling deeply troubled plans to survive without a federal bailout.
    - Trustees would only be able to exercise this option *after* they have exhausted all other remedies and the plan is still expected to go insolvent.
    - Benefit adjustments are capped at 110 percent of what retirees would receive if the plan simply went insolvent, ensuring retirees are better off than if Congress had not acted.
- Requires approval by plan participants of any proposed benefit adjustments that take effect. This provision includes a fail-safe mechanism for those plans that present a systemic risk the multiemployer pension system.
- Provides participant protections to safeguard the most vulnerable retirees, including disabled retirees and individuals age 75 and older.
- Gives the PBGC the authority to take earlier action to help save failing plans, reducing potential future costs.
- Adjusts the premium structure in order to place the PBGC on more firm financial ground.

For more information on how the law may be affecting retirees in your state, visit: http://www.treasury.gov/services/Pages/Benefit-Suspensions.aspx