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Council urges bipartisan, bicameral solution to multiemployer pension crisis

Grassley-Alexander legislative proposal makes ‘important progress’

WASHINGTON, DC – “The latest annual report by the Pension Benefit Guaranty Corporation (PBGC) underscores two critically important points for policymakers,” Lynn Dudley, American Benefits Council senior vice president, global retirement and compensation, said today.

“First, the rapidly deteriorating financial condition of the multiemployer pension insurance program – which reported a record \$65.2 billion deficit in 2019 – depicts a crisis growing into a full-blown emergency,” Dudley said. “The longer Congress waits to pass legislation, the worse the problem gets and the harder it will be to fix it. The time to act is now.”

A number of measures are now pending in Congress. In addition to the [Rehabilitation for Multiemployer Pensions Act \(H.R. 397, commonly referred to as the Butch Lewis Act\)](#), which was approved by the U.S. House of Representatives in July on a bipartisan basis, Senators Charles Grassley (R-IA) and Lamar Alexander (R-TN) have released the [Multiemployer Pension Recapitalization and Reform Plan](#). This proposal would provide partition authority and funding relief for troubled plans while making numerous regulatory reforms to encourage sustained plan sponsorship and addressing participant benefit guarantees.

“The issuance of the Senate proposal reflects important progress because, taken together with the Butch Lewis Act, we now have the components of a potential proposal which policymakers, both Democrats and Republicans, can work through on a bipartisan basis to find a solution that they, along with employers and employees, can all support,” Dudley said.

“The second big takeaway from the PBGC annual report is the single-employer program’s \$8.7 billion surplus despite historically low interest rates that exaggerate liabilities. This surplus is evidence of the substantial financial contributions employers have made to their plans and to the PBGC. Efforts to save the multi-employer program should not implicate the single-employer

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program. Congress has previously justified PBGC premium increases on the basis of program deficits. So consistency now demands lower premiums for sponsors of single-employer plans," Dudley said.

The Council strongly supports:

- The [Retirement Security Preservation Act \(RSPA\)](#) (also included in the House-passed [Setting Every Community up for Retirement Enhancement \(SECURE\) Act \(H.R. 1994\)](#)), which would address a glitch in the nondiscrimination rules affecting participants in frozen pension plans. The Council has determined that at least 450,000 participants could lose future pension benefits as of January 1, 2020, without a legislative fix.
- [The Retirement Security and Savings Act \(S. 1431\)](#), which eliminates the unsound indexing of PBGC's variable rate premium and corrects a glitch in the applicable mortality tables that drives up both funding and premiums. We also support additional premium relief through lower rates and reduced caps, as well as adjustments of premiums based on the financial strength of the PBGC, as reflected in the core structure of the Rightsizing Pension Premiums Act of 2017.
- [The Pension and Budget Integrity Act \(H.R. 4035\)](#), which would move PBGC premiums "off-budget" and ensure the premiums are not counted as general fund revenue and used to pay for unrelated federal spending. [The Council endorsed H.R. 4035 in a July 31 letter](#) and as part of a July 30 [group letter](#), undersigned by the Council and five other employer and benefit organizations.
- Additional defined benefit plan funding relief, building on the "pension smoothing" provisions enacted as part of the [Moving Ahead for Progress in the 21st Century \(MAP-21\) Act of 2012](#) and extended as part of the [Highway and Transportation Funding Act \(HATFA\) of 2014](#) and the [Bipartisan Budget Act of 2015](#). These measures stabilized interest rates for purposes of calculating defined benefit plan funding.

For more information on the Council's retirement policy agenda, or to arrange an interview with Dudley, contact Jason Hammersla, Council vice president, communications, at jhammersla@abcstaff.org or by phone at 202-289-6700 (office) or (202) 422-4652 (cell).

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