House Backs $49 Billion Plan to Rescue Troubled Union Pensions

- Butch Lewis Act would provide 30-year loans to troubled multiemployer plans
- 1.3 million workers in underfunded plans

From www.bna.com. Posted July 24, 2019

A NEW FEDERAL AGENCY would make loans to underfunded pension plans under a measure passed 264-169 July 24 by the House.

The Rehabilitation for Multiemployer Pension Act (H.R. 397), commonly referred to as the Butch Lewis Act, would provide federal loans and grants to union pension plans sponsored by more than one employer if the plans are insolvent or facing insolvency.

A newly created Pension Rehabilitation Administration (PRA), which would be part of the Treasury Department, would administer the loans, and the grants would be administered by the Pension Benefit Guaranty Corp. The Congressional Budget Office estimates the bill would cost $48.5 billion from 2019 to 2029.

About 10 million people participate in the so-called multiemployer plans, and about 1.3 million of those participants are in plans "that are quickly running out of money," House Ways and Means Committee Chairman Richard Neal (D-Mass.) said July 10 when the committee approved the bill by a party-line vote of 25-17.

Neal, who sponsored the bill with Rep. Peter King (R-N.Y.), blamed the pension plans' problems on "deregulation in the 1980s and 1990s as well as large scale economic downturns in 2001 and 2008," which led to industrywide employer insolvencies.

GOP Calls Bill a Bailout

But Republicans said the bill was a bailout for badly managed union pension plans, and that nothing was included in the legislation to make needed reforms.

"What this bill does is it gives more gasoline to the arsonist who started the fire," said Rep. Virginia Foxx (R-N.C.), the ranking Republican on the House Education and Labor Committee.

She called the bill "a risky, fiscally irresponsible, politically motivated scheme that will negatively impact hard-working Americans and retirees."

Education and Labor Chairman Bobby Scott (D-Va.) said it is imperative to pass the legislation to help workers who are covered by the plans.

The PBGC is projected to run out of money by 2025, and if multiemployer plans go broke "there will be catastrophic consequences to retirees, workers, businesses and taxpayers," Scott said.

Scott said structural reforms are needed and should be made. "But when the house is on fire you don't debate on how the fire started or pontificate over how to prevent fires in the future," he said. "You put out the fire."

Senate Version Introduced

Similar legislation was introduced in the Senate July 24 by 27 Democratic and independent senators led by Sen. Sherrod Brown (D-Ohio). But the bill isn't expected to be passed by the Republican-controlled Senate.

Under the House bill, distressed plans could apply for loans for 30-year periods, and if the loans were insufficient to restore plans to solvency, additional financial assistance would be provided.

The CBO estimated outlays required by the bill to be $67.7 billion over the 2019 to 2029 period. The bill includes $19.2 billion in revenue raising provisions over that time, including modification of required distribution rules for beneficiaries of tax-favored retirement plans after the death of the account holder.

300 Plans 'Critical'

As of 2015 almost 300 plans were classified as critical, according to the July 23 CBO report. Fourteen plans currently have been approved to suspend benefits, it said.

About 10% to 15% of multiemployer plan participants are in plans that are projected to become insolvent within 20 years, according to a July 19 Congressional Research Service report. About 3% of all defined benefit plans covering 28% of all defined benefit pension plan participants are multiemployer plans, the CRS said. Defined benefit plans pay regular monthly benefits to retirees.

Funds for multiemployer plans, supported by premiums paid by the plans, will be exhausted in 2025, the CBO projects. The PBGC would then have to reduce assistance to what could be supported with premium income, which would reduce participants' benefits "substantially below the guaranteed amounts," the CBO said.

The PRA would be required to establish a loan program by Sept. 30, and to publish guidelines by Dec. 31 under the bill.

"Multiemployer pension plans are in crisis, posing a threat to the promised retirement income of millions of American workers and retirees and their families," PBGC Director Gordon Hartogensis said in a July 24 statement. "Congress should enact a long-term, sustainable solution taking into account fairness to retirees, workers, taxpayers, and employers. ■