

Common Sense Principles for Multiemployer Pension Reform

In order to avoid looming insolvencies, laws must be changed to create incentives for plans to enhance funding and add new tools to reduce plan liabilities.

- Liability Removal Tool - Expand upon existing partitioning rules to allow plans to regain solvency by transferring pension liabilities to the PBGC. The liability removal tool will be a one-time program to address the existing funding problems for critical and declining status plans.
- PBGC Funding – The entire PBGC premium system must be reviewed and revised to address the current situation and how the PBGC will function in the future.
 - Any premium must be capped at a level that is affordable for the bargaining parties in order to prevent further erosion in the contribution base.
 - Premium increases must not take place until the PBGC demonstrates the financial need for increased premiums after full consideration of all funding sources.
 - Participants in Partitioned Plans Need to be Part of the Solution – Participants in high risk plans should pay a reasonable and affordable fee to protect their benefits.
- Ensuring that the Crisis is Not Repeated – Trustees need additional tools to proactively manage plans to improve plan funding, react more effectively to market volatility, and to ensure that multiemployer plans remain well funded once the current crisis is resolved.
- Withdrawal Liability Should not be Increased – Changes to the withdrawal liability rules could have unintended consequences and make the multiemployer system less stable. Rule changes should not increase incentives for employers to withdraw, nor should the rules negatively impact an employer’s ability to access credit and capital markets.
- New Plan Designs Need to be Created – Funds must be given the option to adopt new plan designs, such as variable defined benefit plan design modifications, enabling legislation for 414(k) plans, composite plans, and other new plan designs, which will allow them to attract new employers, eliminate underfunding, and prevent any reoccurrence of the current funding crisis.