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It's Not Soup Yet…The Multiemployer Pension Reform Act of 2014

Last year, Congress finally passed the Multiemployer Pension Reform Act of 2014 as part of the compromise budget bill. While the MPRA is the most sweeping pension reform since the Pension Protection Act of 2006 (the bar wasn't very high), it will still only provide employers with limited relief, some of which will take more than a decade to take effect. It is not a quick fix.

First, two things that the MPRA does <u>not</u> do:

1. The MPRA does not change the withdrawal liability owed by employers who have already withdrawn; and

2. The MPRA will not affect the withdrawal liability of employers who withdraw in the next few years.

Three things that the MPRA does provide are:

1. **<u>A Toolkit for Pension Funds</u>.** The most important thing the MPRA does is to provide ailing pension funds with a toolkit to help them get back on the road to solvency. The three new tools are:

A. <u>Cutting pensions</u>. Pension plans in the new "critical and declining" status (meaning that they will be insolvent in 15-20 years) can jump through some serious hoops to avoid insolvency by substantially reducing the pension benefits of fund participants. Someone expecting to receive a pension of $2,000 - $5,000 or more per month could end up receiving approximately $1,200.00 per month. Quite a haircut….

B. <u>Fund partitions and mergers</u>. Two other tools in the MPRA toolbox that can help ailing funds are the ability to <u>merge</u> with another, healthier fund (with the PBGC throwing in some cash to sweeten the pot) and the ability to <u>partition</u> and essentially dump an unhealthy section of a fund. The MPRA makes these tools more usable and increases the speed that the pension funds can use them. This is a good thing.

2. **A band aid for the PBGC.** The Pension Benefit Guaranty Corporation will go broke if it has to pick up the slack for too many failed pension plans. The MPRA more than doubles the pension fund premiums paid to the PBGC and also automatically increases these premiums to account for inflation. This is also a good thing.

3. **SOME light at the end of the tunnel for employers.** Although the MPRA helps pension funds help themselves to improve their long term prospects for survival (which will reduce employer's withdrawal liability along the way), it does not provide a lot of immediate relief for employers. Even if a pension fund is able to reduce the amount of its withdrawal liability by reducing the level of unfunded vested benefits (the amount that the Pension Fund is "in the red") -- either by cutting pensions or by eliminating an unhealthy portion of the fund through partitioning -- employers that want to withdraw won't be able to take advantage of the reduced withdrawal liability until ten (10) years have passed after the cuts and/or partitions were put into effect. The only immediate help that employers receive is clarification that any extra pension increases they pay to fund a rehabilitation plan will not count against their withdrawal liability.

Finally, Central States remains a "special snowflake." For reasons known only in Washington, the Teamsters' Central States Southeast & Southwest Area Pension Fund has its own set of special rules designed to protect UPS retirees and to punish participants who worked for employers that withdrew without paying their full withdrawal liability. Employers that still participate in Central States should tread carefully.

It's hard not to be enthused about the first substantial multi-employer pension reform we've seen from Congress in nearly 10 years, but we are not out of the woods yet.

Stay tuned.