

# Multiemployer Alert

Update on Issues Affecting Taft-Hartley Plans

JULY 2019

## U.S. House of Representatives Passes Multiemployer Pension Legislation

On July 25, 2019, the Rehabilitation for Multiemployer Pensions Act was passed in the the U.S. House of Representatives by a vote of 264–169, and will now move to the Senate.

This legislation, previously known as the “Butch Lewis Act,” is intended to provide assistance to financially distressed multiemployer pension plans. Below is a brief summary of how this assistance would work.

### What “assistance” would be provided?

A new office within the Department of Treasury, called the Pension Rehabilitation Administration, and a related trust fund would be established to provide low-interest loans to certain multiemployer plans, which would be funded by Treasury bonds.

### What plans would be eligible for loans?

Multiemployer pension plans that are critical and declining (generally expected to run out of money in the next 20 years), or that became insolvent after December 16, 2014 and haven’t yet terminated, would be eligible to apply for these loans. Based on the information used in [Milliman’s Spring 2019 Multiemployer Pension Funding Study](#), there are 123 critical and declining plans, covering 1.3 million participants, that would be eligible to apply for loans.

### What would be the terms of the loan?

In general, the loan period could be up to 30 years, and would be repaid through 29 years of interest-only payments, followed by a repayment of remaining interest and principal in year 30. The Act would also allow for shorter loan periods and earlier repayment.

### How would the loan funds be used?

Plans would be required to use the loan to de-risk the fund for inactive members, either through the purchase of annuities or through dedicated bond portfolios.

### How would previously suspended benefits be treated?

In order to receive a loan, any benefit suspensions implemented under the Multiemployer Pension Reform Act of 2014 would have to be reinstated. Currently, 14 multiemployer plans have received approvals from Treasury to implement benefit suspensions.

### What’s next?

The legislation now moves to the Senate, where it faces an uncertain future.

If you have any questions regarding the Rehabilitation for Multiemployer Pensions Act, including its potential impact on your plan or prospects in the Senate, please contact your Milliman consultant.

Multiemployer Alert: Update on Issues Affecting Taft-Hartley Plans is intended to provide information and analysis of a general nature. Application to specific circumstances should rely on separate professional guidance.