

PROPOSED COMPOSITE PLAN LEGISLATION THREATENS WORKERS' PENSION BENEFITS

- The proposed composite pension plan is a raw deal for workers. It would dramatically reduce funding in existing or “legacy” plans, make it easier for employers to withdraw from a plan without penalties, and leave workers and retirees at risk of dramatic benefit cuts.
- The legislation would change ERISA funding rules to substantially reduce yearly funding requirements for existing multiemployer plans, in part by allowing plans to pay off their current liabilities over a longer period of time.
- The change would allow the average plan to cut its annual funding amounts by over 60%, and divert the contributions to a new type of pension plan, the composite plan.
- Under the new regime, both the original plan *and* the new composite plan would receive reduced funding compared to a traditional plan.
- First, the composite plans are funded by contributions diverted *from* legacy plans. This means that contributions to the legacy plan are frozen, and the composite plan is funded at the lower levels permitted under the existing ERISA rules.
- Second, the proposed legislation relaxes withdrawal liability rules for employers who transition to a composite plan, allowing them to, under some circumstances, withdraw from the plan without any penalty or liability. By making it easier for employers to withdraw without paying their fair share, plans receive a reduced contribution base, further threatening the health of their funding.
- The reduced funding thus puts both plans at significant risk of failure: Even normal market activity can threaten both legacy and composite plans' funding level.
- Faced with plan failure due to market volatility, employers would have to increase contributions above and beyond existing levels. Absent significant increases in contributions, plans will have to cut participants' benefits. In fact, the composite legislation would provide fewer protections against benefit cuts than currently afforded under the Multiemployer Pension Reform Act (MPRA).
- The contribution increases or benefit cuts required for a combined composite/legacy plan to withstand market volatility would be *significantly* greater in magnitude—and would last for much longer—than the increases or cuts required for a traditional plan.
- Moreover, unlike under existing rules, plans that transition to a composite plan leave participants without *any* protection in the event of a complete plan failure. Under existing law, workers in failed plans at least are eligible to payments from the Pension Benefits Guaranty Corporation

(PBGC). Composite plan participants would receive no PBGC protection.

- Members of Congress should oppose composite legislation that hurts workers and threatens our retirement security.