

# **Procedures Required for Pension Cuts Under The Multiemployer Pension Reform Act of 2014 for Pension Funds in “Critical and Declining” Status**

*A summary of the procedures and timelines required by the 2014 pension law of a so-called “critical and declining” pension fund which seeks to cut the earned pensions of Teamsters or other workers.*

## **Guidance** (page 103 [of the 2014 Act](#))

Not later than 180 days after the date of the enactment of this Act, the Secretary of the Treasury, in consultation with the Pension Benefit Guaranty Corporation and the Secretary of Labor, shall publish appropriate guidance to implementation.

## **Application to Suspend Benefits** (page 87)

A pension fund applies to the Department of Treasury, which then consults with the Pension Benefit Guaranty Corporation and the Department of Labor.

## **Appointment of a Retiree Representative** (pages 73-74)

Not later than 60 days prior to the submission to the Department of Treasury, a plan with 10,000 or more participants shall select a participant of the Plan in pay status to act as a retiree representative. (The representative could be a present or former trustee.) The retiree representative shall advocate for the interests of the retired and deferred vested participants and beneficiaries of the Plan throughout the suspension approval process. The Plan shall provide for reasonable expenses by the retiree representative, including reasonable legal and actuarial support, commensurate with the Plan’s size and funded status.

## **Notice Requirements** (pages 86-90)

Notice to participants is to be made by the pension fund concurrently with application for suspension of benefits to Department of Treasury. Notice must include sufficient information to enable participants and beneficiaries to understand the effect of any suspension of benefits, including an individualized estimate (on an annual or monthly basis) of such effect on each participant or beneficiary. Notice must include a statement describing the appointment of a retiree representative, the date of the appointment of

such representative, identifying information about the representative (including whether the representative is a plan trustee), and how to contact such representative. Notice shall be written in a manner so as to be understood by the average plan participant. The Secretary of the Treasury shall establish a model notice.

**Process (pages 90-93)**

The pension plan submits an application to the Department of Treasury to suspend benefits (as explained above). No later than 30 days after receipt of the application, the Secretary of the Treasury shall publish a notice in the Federal Register soliciting comments. The application for the approval of the suspension of benefits shall be published on the website of the Secretary of Treasury. The Secretary of Treasury, in consultation with the Pension Benefit Guaranty Corporation and the Secretary of Labor, shall approve or deny any application for suspension of benefits within 225 days after the submission of such application. An application for suspension of benefits shall be deemed approved unless, within such 225 days, the Secretary of Treasury notifies the plan sponsor that it has failed to satisfy one or more criteria.

**Participant Ratification Process (pages 93-100)**

No later than 30 days after approval of the suspension, the Secretary of the Treasury shall administer a vote of participants and beneficiaries (actives, retirees and those entitled to deferred benefits) of the plan. The suspension shall go into effect following the vote unless a majority of all participants and beneficiaries of the plan vote to reject the suspension. The plan sponsor may submit a new suspension application to the Secretary of the Treasury for approval in any case in which suspension is prohibited from taking effect pursuant to a vote.

**Systemically Important Plans (pages 96-99)**

Not later than 14 days after a vote rejecting a suspension, the Secretary of the Treasury shall determine whether the plan is a “systemically important plan.” A systemically important plan is one which the Pension Benefit Guaranty Corporation projects that the present value of projected financial assistance payments exceeds \$1 billion if suspensions are not implemented. If the Secretary of Treasury determines that the plan is a systemically important plan, not later than the end of the 90-day period beginning on the date the results of the vote are certified, the Secretary of the Treasury shall, notwithstanding such adverse vote – permit the implementation of the

suspension proposed by the plan sponsor; or permit the implementation of a modification by the Secretary of the Treasury.

**Ballots** (pages 94-95)

The plan sponsor shall provide a ballot for the vote that includes the following: a statement from the plan sponsor in support of suspension; a statement of opposition to the suspension compiled from comments received; a statement that the suspension has been approved by the Secretary of the Treasury; a statement that the plan sponsor has determined that the plan will become insolvent unless the suspension takes effect; a statement that insolvency of the plan could result in benefits lower than benefits paid under the suspension; and a statement that insolvency of the Pension Benefit Guaranty Corporation would result in benefits lower than benefits paid in the case of plan insolvency.

**Communication by Plan Sponsor** (page 95-96)

It is the sense of Congress that, depending on the size and resources of the plan and geographic distribution of the plan's participants, the plan sponsor should take such steps as may be necessary to inform participants about proposed benefit suspensions through in-person meetings, telephone or internet-based communications, mailed information, or by other means.

*Produced by Teamsters for a Democratic Union (TDU) -- the movement of Teamsters working together to make our union stronger and more democratic. We are working – with allies – to change this unjust law, and to protect the rights of all Teamsters and retirees who worked hard to earn their pensions. Contact us for more information on TDU and on the campaign to protect pensions.*

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