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Multiemployer Plans

Iron Workers Fund Looks to Cut Benefits, Is Second Plan to Seek Treasury's Approval

An Iron Workers local pension fund has become the second multiemployer plan to apply for benefit suspension approval from the Treasury Department.

The Iron Workers Local 17 Pension Fund in Cleveland joined the Central States, Southeast and Southwest Areas Pension Fund in seeking to use provisions of a 2014 law to suspend the accrued benefits of its plan participants in an attempt to avoid the fund's insolvency.

In a notice informing participants of the fund's application for approval of a proposed reduction of benefits, the fund's trustees said that its actuary has certified that the plan is in "critical and declining status" for the plan year beginning May 1, 2015, and that without approval of the rescue plan, the plan is projected to be insolvent in 2025.

Treasury has 225 days from a filing to reject an application. Otherwise, it will be considered approved.

The Central States fund became the first plan to seek approval of a rescue plan under the Multiemployer Pension Reform Act, also known as the Kline-Miller Act, when it filed its application with Treasury on Sept. 25 (42 BPR 1760, 10/6/15). Central States fund officials said the filing was necessary to prevent future insolvency, but many plan participants gave emotional testimony in hearings and comment letters of the financial pain it would cause them.

Randy G. DeFrehn, executive director of the National Coordinating Committee for Multiemployer Plans, told

Bloomberg BNA on Jan. 8 that the Iron Workers plan trustees have been "very proactive in taking action necessary to protect the plan and its participants from projected insolvency." He said the plan's rescue proposal demonstrates "how early action can prevent a plan from becoming insolvent without participants having to absorb the massive cuts that some" plans, such as the Central States plan, will need to impose to remain solvent.

Karen Friedman, executive vice president and policy director for the Pension Rights Center, told Bloomberg BNA on Jan. 8 that her organization is "starting to hear from retirees who are panicked and devastated by the news of the potential cuts." She said Congress needs "to pay attention and work to find a solution now to stop these cuts before they destroy the economic security of their constituents and spread even further across the nation."

In its annual Form 5500 report filed with the Department of Labor for its plan year ended April 30, 2014, the Iron Workers plan listed \$85.7 million in assets and \$223.2 million in liabilities. The plan listed 2,021 participants, of which 640 were active.

The Iron Workers plan filed its application with the Treasury on Dec. 23, and the department is required to list the filing on its website within 30 days of that date. If approved, it would go into effect Dec. 1, 2016.

BY DAVID B. BRANDOLPH

To contact the reporter on this story: David B. Brandolph in Washington at dbrandol@bna.com

To contact the editor responsible for this story: Joel J. Meyer at jmeyer@bna.com

A copy of the fund's notice to participants of its application to Treasury is at <http://src.bna.com/bV8>.