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Multiemployer Plans

Senate Democrats Urge Scrutiny of Central States Rescue



By David B. Brandolph

April 18 — The entire Democratic Party Senate caucus has urged the Treasury Department to closely scrutinize the Central States pension fund's rescue proposal.

All 44 Senate Democrats—plus two independents who caucus with the Democrats, including presidential candidate Bernie Sanders (I-Vt.)

—signed the April 15 letter to Treasury Secretary Jacob J. Lew. No Republicans signed it. The letter comes three weeks before the May 7 deadline for the Treasury Department to complete its review of the Central States, Southeast and Southwest Areas Pension Fund's rescue application and decide whether to reject the fund's request for benefit cuts.

The senators wrote that the fund's retirees “contributed to their pensions over the course of many years—making the sacrifices of giving up better pay or improved benefits, or even staying in a physically exhausting job that took them away from their families—so they could earn a pension that they believed could never be taken away.”

“In light of the enormous stakes that retirees face,” the letter said, “we ask Treasury to conduct a thorough analysis and check every aspect of CSPF's application.”

The senators said in the letter that under Treasury's temporary regulations on benefit cuts, “any multiemployer plan applying for cuts must have at least a 50 percent chance of avoiding insolvency.” The letter pointed out that in its application Central States said that the probability of the fund avoiding insolvency following implementation of its proposal was 50.4 percent. The senators urged the department “to scrutinize all of the assumptions underlying this estimate, since even small changes in the assumptions could move CSPF under the 50 percent mark.”

Under the Multiemployer Pension Reform Act, also known as the Kline-Miller Act, Treasury must determine whether the proposal is sufficient to permit the fund to avoid insolvency and is being implemented equitably. Central States' proposal was filed in September (42 BPR 1760, 10/6/15).

Many fund retirees have said they were told their pension cuts will be as high as 70 percent of the amount of benefits they were promised.

The fund is “confident that Treasury is thoroughly addressing every aspect of the rescue plan,” including those raised by the lawmakers, Thomas C. Nyhan, the fund's executive director and general counsel, told Bloomberg BNA in an April 18 e-mail. The fund is “confident that the rescue plan meets all criteria for approval” under the MPRA, he said.

Karen Friedman, executive vice president and policy director for the Pension Rights Center in Washington, told Bloomberg BNA in an e-mail April 18 that her organization hoped Treasury would heed the senators' request to “stop the cuts.”

Legislative Alternatives

The letter supplements two congressional proposals that have been introduced to address cuts to retirees' benefits.

The Keep Our Pension Promises Act (H.R. 2844, S. 1631) would repeal the MPRA's benefit cutback provisions (42 BPR 1095, 6/23/15). Its current sponsors are all Democratic caucus members.

BNA Snapshot

Democratic Senators' Letter to Treasury on Central States Fund Rescue

Development: The entire Democratic Party Senate caucus signs letter urging Treasury Department to scrutinize the Central States pension fund's rescue proposal.

Takeaway: Even small changes to the assumptions used by Central States in its application could jeopardize its approval, senators say.

The Pension Accountability Act (H.R. 4029, S. 2147), which addresses plan participants' vote on proposed benefit suspensions, has some bipartisan support. The measure would allow a majority of plan participants and beneficiaries who cast a vote—instead of a majority of the total participants and beneficiaries—to stop proposed pension cuts (42 BPR 1789, 10/13/15).

Neither bill is expected to make headway before Treasury completes its review of the Central States application.

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

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

For More Information

A copy of the letter from the senators to Lew is at <http://src.bna.com/eb5>.
