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Retirement Policy

Democrats Promise to Defend Fiduciary Rule, Bolster Multiemployer Pension Plans

Democrats vowed to defend the Department of Labor's fiduciary rule against Republican attacks, according to a draft of the party's platform.

Democrats "will fight against any attempt by Republicans in Congress or on Wall Street," according to the draft adopted July 9 by the party's platform committee. The rule tightens conflict-of-interest restrictions on financial advisers handling retirement accounts, but critics say it will make retirement advice too costly for lower-income savers.

The party's convention will be held July 25-28 in Philadelphia.

Republicans have tried several times to overturn the rule (RIN:1210-AB32). On June 22 they fell short in their effort to override President Barack Obama's veto of resolution that would have blocked the rule from taking effect, but they haven't given up the battle. A House Appropriations subcommittee approved spending legislation July 7 on party lines that would block a number of Obama administration labor initiatives, including the fiduciary rule.

Nominee-in-waiting Hillary Clinton signaled her defense of controls on the financial industry as early as December 2015, when she said in a New York Times op-ed that she "would not only veto any legislation that would weaken financial reform," but also fight for new rules and enforcement measures that go beyond the Dodd-Frank Wall Street and Consumer Protection Act.

DOL Secretary Thomas E. Perez, rumored to be one of presumptive nominee Hillary Clinton's vice-president picks, also would be expected to continue to champion the fiduciary rule as well as other department priorities, such as the contentious overtime rule. Sen. Elizabeth Warren (D-Mass.), also rumored to be one of the top-five picks, has been the point-person in the Senate defending the rule, as well as pushing other Wall Street controls, not least Dodd-Frank, for which she was partly responsible before taking office in January 2013.

Republicans, who will hold their national convention July 18-21 in Cleveland, haven't released their party platform yet.

Multiemployer Pensions. Democrats also vowed in their platform to prop up failing multiemployer pension plans, an issue driven by plans in danger of insolvency that cover about 1.5 million retirees.

A last-minute bill, called the Multiemployer Pension Reform Act, was passed at the end of 2014 to allow trustees of struggling plans under certain conditions to reduce retirees' pension payments in order to prevent plan collapse. A bill that Sen. Bernie Sanders (I-Vt.) introduced last summer would roll back the pension reduction provision of MPPRA, but may not move if Republicans keep their control of Congress.

Karen Friedman, executive vice president and policy director for the Washington-based non-profit Pension Rights Center, told Bloomberg BNA on July 11 that the language in the Democratic party platform addressing multiemployer plans was encouraging.

"We're pleased to see that this is in the platform, and we believe that this is a good sign that the Democrats are committed to finding a solution to address underfunded multiemployer plans, and to ensuring that the Pension Benefit Guaranty Corporation is well funded and to protect retirees," Friedman said. The PBGC is the federal backstop for private pension plans, but its program for multiemployer pension funds is in danger of insolvency.

Friedman said that the Pension Rights Center would like to see Republicans take a similar stand as the Democrats' for the PBGC. "We don't think this is a bipartisan issue, we think this is an issue for everybody," she said.

Progress on Sanders' bill (S. 1631), the Keeping Our Pension Promises Act, isn't promising. Since being introduced last summer, the bill hasn't left the Senate Finance Committee, and has only 10 co-sponsors, all Democrats. The House version (H.R. 2844) is also stalled, with 51 co-sponsors, also all Democrats.

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The Democratic Party platform is at <http://src.bna.com/gDF>.