“Composite Bill” Legislative Summary

The U.S. House of Representatives Subcommittee on Health, Employment, Labor and Pensions recently held a hearing on a “Discussion Draft to Modernize Multiemployer Pensions.” The draft is commonly referred to as “the composite bill” even though it has not yet been introduced into Congress as a stand-alone piece of legislation. However, the legislative language has been written and, once introduced, the bill could very well could follow the same path as the Multiemployer Pension Reform Act of 2014 (MPRA) and be attached as an amendment to must-pass year-end omnibus legislation without a single vote being cast on it.

The composite bill would allow relatively healthy multiemployer plans with secure and adequate benefits to transition to two inferior plans: a “legacy plan” that allows employers to make smaller yearly contributions than the original plan and a new “composite plan” that makes no binding promises to workers and retirees. Both plans would be administered by the same trustees and the assets could be combined for investment purposes. The trustees would be required to appoint a retiree trustee who would have a legal obligation to act in the interests of all plan participants.

- **Legacy Plan:** A name for the existing pension plan.
  - **Reduced benefits.** In most cases, legacy plans would be frozen and participants would not earn new benefits in that plan.
  - **Limited contributions.** Employers would be allowed to make smaller annual contributions to the legacy plan in order to divert money to the new composite plan.\(^1\)
  - **Reduced withdrawal liability.** By reducing contributions to the legacy plan, employers would reduce the amounts they would have to pay if they withdrew from the plan. In some cases, employers may be permanently exempted from withdrawal liability.\(^2\)

- **Composite plan:** A name for a new kind of plan for work performed the future.
  - **Increased risk.** Trustees are allowed to reduce benefits if investment performance is lower than expected or if people live longer than expected.
  - **Uncertain benefits.** Benefits are stated as lifetime monthly payments. However, there is no promise that the stated benefits will actually be paid.
  - **No insurance protection.** Benefits would not be insured by the Pension Benefit Guaranty Corporation. If the plan fails, retirees would not receive a guaranteed benefit.

**What plans would be affected by the composite bill?**

Only pension plans that have at least two-thirds of the money needed to pay promised benefits, so-called Green Zone and Yellow Zone plans, would be able to transition to composite plans.

---

\(^1\) Employers would be allowed to fund legacy plans over a 25-year period rather than the current 15-year period. In addition, 25 percent of all new contributions would be allocated to the new composite plans.

\(^2\) Employer withdrawal liability can be eliminated if legacy plans are fully funded for a period of 3 out of the preceding 5 years and are projected to remain fully funded for an additional four years.
What plans are NOT affected by the composite bill?
Participants in severely underfunded multiemployer pension plans would not be allowed to transition to a composite plan. This includes all Red Zone plans, including plans that have filed critical and declining status notices with the U.S. Department of Labor and are thus eligible to apply to reduce retiree and worker pensions under MPRA.

How would the Pension Benefit Guaranty Corporation be affected by the composite bill?
The PBGC’s multiemployer program is facing a serious funding deficit. This deficit would be exacerbated if the composite bill were to become law since the new composite plans would not pay premiums to the PBGC.

How would other plans be affected by the composite bill?
The composite bill could hurt other multiemployer pension plans, both healthy plans and those that are too underfunded to transition to a composite arrangement. That is because these plans may have to make up for the shortfall caused by fewer plans contributing to the Pension Benefit Guaranty Corporation as the new composite plans are adopted.

The composite bill is being championed by Representative John Kline (R-MN) and is based on an idea generated by the National Coordinating Committee on Multiemployer Plans in its report, *Solutions not Bailouts* – the same report that contained the framework for the Multiemployer Pension Reform Act of 2014, the law that allows the trustees of certain multiemployer plans to cut retiree pensions.