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Multiemployer Plans

Machinists' Pension Latest to Get Treasury Nod to Cut Benefits

The Treasury Department approved a reduction in pension benefits for 1,134 members of the International Association of Machinists Motor City Pension Plan.

This is the fourth time Treasury has approved a pension fund's application to begin the process of cutting retirees' benefits under the Multiemployer Pension Reform Act. The next step will be for the plan to have its members vote on whether to approve the cuts.

Employers contributing to the Troy, Mich.-based plan include Penske Truck Leasing Co., Roadway Express, and Koenig Fuel & Supply Co. As of June 30, 2016, the plan was about 32 percent funded with nearly $51 million in assets and more than $159.6 million in liabilities.

The plan is projected to be insolvent by the end of its 2025-26 plan year.

Many multiemployer pension funds face insolvency and have sought to use the MPRA, also known as the Kline-Miller Act, as a method to try to avoid insolvency. Treasury has denied the applications of five multiemployer funds, including the 400,000-member Central States Southeast and Southwest Areas Pension Fund. Multiemployer plans are for unionized workers and receive contributions from more than one employer.

More Approvals Predicted The plan is the first to have its Treasury application approved without having to withdraw its original filling and resubmit a new one with revised actuarial assumptions.

''Trustees and their advisors are starting to understand Treasury's standards for determining whether actuarial assumptions are reasonable,'' Dominic DeMatties, a partner with Alston & Bird, told Bloomberg Law in a Nov. 8 email.

Given the ability to see what criteria the Treasury has approved and rejected, plans ''should be starting to get a pretty good idea what Treasury is likely to approve,'' said Dematties, who previously served as an attorney-adviser in Treasury's Office of the Benefits Tax Counsel. That, combined with Treasury's increased willingness to engage with potential applicants prior to submission, ''seems likely to facilitate more approvals than denials going forward,'' he said.

Consumer groups, however, say that cutting the earned benefits of retirees should be unacceptable.

The approval of another plan to cut benefits ''shows how important it is to get legislation passed that repeals MPRA and which gives alternative relief to plans so they don't resort to cutting retirees' and workers' benefits,'' Karen Friedman, executive vice president of the consumer advocate Pension Rights Center in Washington, told Bloomberg Law Nov. 8.

Ohio Senator Sherrod Brown (D) recently announced that he will soon introduce a bill designed to rescue financially troubled plans that won't cut the pensions of retirees.

The plan's attorney didn't respond to Bloomberg Law's request for comments.

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