FCA International Legislative Update
Building a Better Future for Our Families

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Congressional Overview

The House was in recess this week, but the Senate remained in session working on nominations and a broad, bicameral spending deal. The current spending resolution expires Nov. 21.

FCA Multiemployer Pension Reform Update

The 116th Congress has been more aware of the multiemployer pension crisis, is more committed to act and has been seeking input from the multiemployer community. We have seen this urgency and commitment in the House with the passage of the Butch Lewis Act (H.R. 397) in July. In the Senate, Majority Leader Mitch McConnell (R-KY) and Finance Committee Chairman Chuck Grassley (R-IA) have been very interested in working toward a solution that embraces the liability removal framework that came out from the Joint Select Committee.

They understand that certain parts of the Joint Select Committee's "proposal" caused great concern in the multiemployer community. They have been willing to fully evaluate the concerns and work towards solutions that would not needlessly damage multiemployer plans, participants, employers, unions or the system as a whole. Minority Leader Chuck Schumer (D-NY), Sens. Sherrod Brown (D-OH) and Patty Murray (D-WA) have also been very active in working towards a bipartisan solution.

Butch Lewis Act

The House passed the Butch Lewis Act by a 264-169 vote (with 29 Republicans voting in favor) on July 24. The Congressional Budget Office (CBO) scored it at $48.5 billion from 2019-2029. The Senate introduced the bill on July 24 with 27 Democrat cosponsors, including Minority Leader Schumer. The CBO scored the Senate version at $67.7 billion from 2019-2029.

Insolvency and the Central States Pension Fund

Time is running out to prevent the insolvencies of the United Mine Workers Pension Fund and the Central States Pension Fund. If nothing is done, the very public insolvency of Central States will cause serious harm to all contributing employers to multiemployer plans. Central States is burning $2.1-$2.5 billion annually, and it is projected to go insolvent by January 2025. With 2020 being an election year, it is highly unlikely something this complex will get done, which means the next opportunity will be in the 2021 Congress – we must act now.

Several banks have taken notice of the looming insolvency of Central States, which is resulting in them increasing the cost of credit when facilities come up for renewal, not renewing or extending credit facilities on the margin and denying increases to new credit. Absent a legislative solution, more banks will continue with this course of action, which will tighten or eliminate credit for affected employers, threatening their economic viability.
The insolvency of Central States is an enormous problem by itself. It will have devastating impacts on participants, employers, other Teamster plans, the PBGC and on the tax receipts and social safety net spending of the U.S. Government. Its impact will cascade throughout the entire multiemployer system.

The second market-based reaction to the insolvency of Central States will be from the Financial Accounting Standards Board (FASB). The insolvency of Central States, a systematically important plan, is likely to generate new concerns and interest from FASB and the broader accounting profession. We have seen these types of responses from FASB in the past during other crises, including the 2008 financial crisis and the failures of Enron and Worldcom. This represents an existential threat to the contributing employers in all multiemployer plans that are underfunded, which would lead many employers to seek protection and reorganization under the Bankruptcy Code.

Multiemployer Pension Impact on U.S. Government
In 2015 alone, the multiemployer system generated $158 billion in taxes for the U.S. Government. It provided $41 billion in retiree income and paid more than $203 billion in wages to 3.8 million active workers. Combined, the pension and wage income supported 13.6 million American jobs and generated $1 trillion in GDP.

The insolvency of the Central States Pension Fund will push the PBGC into insolvency in its multiemployer program. This will dramatically reduce pension benefits payable to retirees in insolvent plans, with beneficiaries receiving 94-98 percent cuts to their pension checks. The National Coordinating Committee on Multiemployer Pensions' (NCCMP) analysis shows the U.S. Government will lose at least $32 billion in tax revenue over the 10 year budget window from the lost pension and wage income resulting from the collapse of critical and declining status plans.

Retirees that see 94-98 percent reductions in their pensions will be forced onto the social safety net entitlement programs provided by the Federal and State governments. Based on 2017 data, the U.S. Government will have new safety net spending over the 10-year budget window of $138 billion.

Senator Introduces Slimmed Down FY 20 National Defense Authorization Act
Senate Armed Services Committee Chairman James Inhofe (R-OK) introduced a slimmed down version of the FY 20 National Defense Authorization Act (NDAA) last week. The scaled-back version of the full measure is being introduced in case negotiators reach an impasse in efforts to pass the longer version of the bill. The disagreement stems from controversy over whether to back or oppose the use of military funds to build the President's border wall.

Border Wall Funding and a Potential Federal Government Shutdown
The Trump administration is backing off its demand for $8.6 billion in FY 20 border wall funding, indicating the administration realizes it risks losing a substantial boost to military spending (and other spending priorities) if there is a continuing resolution (CR) for the entire fiscal year. While this would reduce the chance of a federal government shutdown, President Trump still left the door open for a potential shutdown when the current CR expires Nov. 21. When asked by a reporter if he would shut down the government because he is being impeached he said, "It depends on, it depends on what the negotiation, I wouldn't commit to anything. It depends on what the negotiation is."

House Formalizes Impeachment Inquiry Process
The House voted 232-196 last week to formalize the impeachment inquiry process with a package of rules that will govern open hearings on President Trump's alleged wrongdoing. The vote split almost completely along partisan lines, with two Democrats (Reps. Jefferson Van Drew [NJ] and Colin Peterson [MN]) splitting with their colleagues to vote against the resolution. The House Intelligence Committee is set to hold its first open hearings next week as part of the impeachment inquiry. The committee will hear from William Taylor and George Kent on Nov. 13 and former U.S. ambassador to the Ukraine Marie Yovanovitch on Nov. 15.

Notable 2019 Election Results
Republican Lt. Gov. Tate Reeves won Mississippi's governorship, defeating Democratic State Attorney General Jim Hood (52.3 to 46.5 percent). In Kentucky, the race is yet to be officially called, but Democratic State Attorney General Andy Beshear has a lead of 5,150 votes over Republic Gov. Matt Bevin (49.2 to 48.8 percent) with 100 percent of the precincts reporting. Beshear declared victory in a speech to his supporters just after 10 PM on election night, but Bevin refused to concede. Under Kentucky law, he can request a recanvassing of the results. In Virginia, Democrats took control of both chambers of the Virginia legislature, winning control of the state's government for the first time in a generation.