



*Week of 9-12-16
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Congressional Overview

The House considered legislation regarding the Affordable Care Act, veterans' disability payments and the Guantanamo Bay Military Prison this week. Meanwhile the Senate continued debate on the Army Corps of Engineers Water Projects.

Rep. Kline Unveils Discussion Draft Proposal to Modernize U.S. Multiemployer Pension System

On Friday, Sept. 9, Rep. John Kline (R-MN), chairman of the House Committee on Education and the Workforce, unveiled his discussion draft of a proposal to modernize the nation's multiemployer pension system, which would provide workers a new option to save for retirement by authorizing an innovative multiemployer plan structure known as "composite plans." [Click here](#) to review the draft.

Chairman Kline's Questions and Answers Regarding the Discussion Draft:

Question: Would the retirement plans created under the proposal be defined benefit or defined contribution retirement plans?

Answer: The proposal creates a new retirement option that mirrors the qualities of both defined contribution plans like 401(k) and defined benefit pension plans. The new retirement option, known as "composite plans," would provide retirees an annuitized benefit much like defined benefit pension plans. Composite plans will also provide employers the flexibility and certainty typically associated with defined contribution plans. The trustees of a composite plan will have the ability to act in a manner that provides workers and retirees a stable, secure retirement benefit.

Question: How will this proposal benefit employers?

Answer: Employers need more flexible retirement options to promote the financial well-being of their workers and the competitiveness of their businesses. This proposal allows employers to contribute to plans that provide retirement benefits without the burdens and risks associated with the traditional defined benefit system. By providing a retirement option that offers more certainty and flexibility, employers will have greater opportunity to expand their businesses and hire new workers.

Question: How will this proposal benefit workers?

Answer: Too many Americans will retire from the workforce without adequate financial security. This proposal will empower millions of workers with another option to save for retirement. By providing trustees important flexibility to manage the composite plan effectively and responsibly, the proposal will help provide workers a stable, secure annuitized benefit when they retire. This is one step – and an important step – Congress can take to strengthen the retirement security of America's workers.

Question: How will this proposal benefit retirees?

Answer: Many retirees in the traditional defined benefit pension system face significant risks. Numerous plans will be unable to keep the promises that were made as these plans slip into insolvency. When that happens, retirees will have their benefits cut and many will be at risk of losing everything. Instead of extending a system that can lead to significant risk and broken promises, this proposal provides a different approach. Retirees will be accruing and earning a benefit that they know is expected to change, much like 401(k) plans have for decades. However, by including strict funding requirements that will ensure composite plans are responsibly managed, the proposal will provide retirees greater certainty and financial stability for the years ahead. This proposal will provide one more option to help individuals retire with financial security and peace of mind.

Question: How will this proposal benefit taxpayers?

Answer: Under the traditional defined benefit pension system, the Pension Benefit Guaranty Corporation (PBGC) insures the pensions of workers and retirees up to certain limits. Should the PBGC become insolvent – and it is projected to be in less than 10 years – then taxpayers will be at risk of funding a multi-billion dollar bailout. Under this proposal, the federal government will not guarantee the benefits of composite plans. Instead, the proposal will put in place strict funding rules to ensure composite plans are well funded now and in the future. This will protect the best interests of workers, retirees *and* taxpayers.

Question: Does the proposal weaken current funding standards for traditional multiemployer pension plans?

Answer: No. The proposal includes a number of reforms to ensure existing plans are adequately funded. For example, the proposal requires transition contributions to help guarantee existing plans are well funded and able to meet the retirement needs of participants. The proposal strikes a balance by taking tough steps so that current pension commitments are met while also providing an important opportunity for employers and unions to adopt a new retirement option that will help strengthen the retirement security of their workers.

Question: Will existing multiemployer pension plans facing severe financial challenges be able to transition to the composite plan design?

Answer: No. Based upon the feedback the committee received from retiree advocates, the proposal does not allow any existing plan in critical status (also known as “red zone status”) to transition to a composite plan design. This prohibition also applies to existing plans that are expected to be in red zone status within a five-year period.

Question: Will this proposal undermine the financial health of existing multiemployer pension plans?

Answer: No. Many multiemployer defined benefit plans face severe funding challenges. These plans are not permitted to utilize this new option. For those existing multiemployer pension plans that are healthy now, the proposal will require that any remaining benefit promises continue to be adequately funded.

Question: Does this proposal allow employers to escape their responsibilities to their traditional multiemployer pension plan?

Answer: No. Under current law, employers may already leave the defined benefit system to establish 401(k) plans. By contrast, employers who agree to contribute to composite plans will be required to contribute to the traditional defined benefit plan until the existing plan is fully-funded at 100 percent. This will adequately fund existing multiemployer pension commitments and help protect retirees.

Question: Will this proposal exacerbate the fiscal challenges facing the PBGC?

Answer: No. The PBGC acts as a federal backstop to defined benefit pension plans, leaving taxpayers at risk should the agency become insolvent. That is why Congress has and will continue to take steps to improve the PBGC's long-term fiscal health. It is also why, under this proposal, composite plan benefits will not be guaranteed by the PBGC. The proposal provides trustees of composite plans the flexibility necessary to ensure a stable, secure retirement plan without the promise of a federal guarantee backed by hardworking taxpayers.

Question: Does the proposal raise premiums to improve the funding of the PBGC?

Answer: Congress took action in 2014 that raised PBGC premiums from \$12 to the current \$27. However, the PBGC's multiemployer insurance program still faces a \$52 billion shortfall and is projected to be insolvent in less than 10 years. More work is desperately needed to shore up the fiscal health of the PBGC. Failure to act will jeopardize the retirement benefits of millions of Americans and increase the risk of a multi-billion dollar taxpayer bailout. The committee welcomes public feedback on reforms that will improve PBGC's financial outlook to be included in a final legislative proposal.

Continuing Resolution Introduced in Senate – Vote Postponed Until Monday Evening

Senate Majority Leader Mitch McConnell (R-KY) submitted his proposal to fund the government beyond the end of the month. However, the two parties remained far apart in regards to several provisions including Planned Parenthood and Zika Funding. On Thursday, Sen. McConnell moved the cloture vote to Monday evening to give the chamber more time to negotiate before voting.

FY 17 Appropriations Bills Looming After Elections

After the elections, Congress will need to decide how to complete action on the remaining 11 appropriations bills. Talks are underway that indicate House leaders and appropriators seem to be moving toward a number of "minibus" bills combining two or three appropriations bills in each instead of passing one large "omnibus" appropriations bill. This approach seems to appeal to conservatives who bristle at one big omnibus bill, which has been the norm in the past few years.

Senate Passes Water Resource Development Act

This week, the Senate passed the Water Resource Development Act (WRDA), which would authorize \$10.6 billion in funding for 29 Army Corps of Engineers water infrastructure projects, including waterways and flood control systems, as well as EPA drinking water infrastructure programs. The bill also includes a provision to send \$220 million in low-interest state revolving fund loans to Flint, MI, to help the city recover and repair its drinking water infrastructure after widespread lead contamination that still has residents drinking bottled water almost eight months after a federal emergency declaration. More than 60 total amendments were filed to it.

32 Disposal Wells Shutdown in Oklahoma

Federal and state regulators have found that 32 wastewater disposal wells in northeastern Oklahoma are too close to a newly discovered fault line. The wells will be shut down as a precautionary measure in the wake of the recent earthquake in the area.

Administration Halts Work on North Dakota Pipeline

The Obama administration has temporarily halted construction on a key stretch of the Dakota Access Pipeline to allow for additional environmental assessments. A joint statement from the Justice Department, the U.S. Army Corps of Engineers and the Interior Department stated, "The Army Corps will move expeditiously to make this determination including the pipeline company and its workers, which deserve a clear and timely resolution."