HOUSE COMMITTEE ON
WAYS & MEANS

Subtitle H -The Butch Lewis Emergency Pension Plan Relief Act of 2021
Section-by-Section

Sec. 9701 - Short Title. The Act may be cited as the "Butch Lewis Emergency Pension Plan Relief Act of 2021."

Sec. 9702 - Temporary Delay of Designation of Multiemployer Plans as in Endangered, Critical, or Critical and Declining Status. Under the legislation, a plan could retain its funding zone status as of a plan year beginning in 2019 for plan years that begin in 2020 or 2021. A plan in endangered or critical status would not have to update its plan or schedules until the plan year beginning March 1, 2021. This would provide a plan with flexibility and ease an administrative burden given the economic and financial turmoil resulting from the COVID-19 public health crisis.

Sec. 9703 - Temporary Extension of the Funding Improvement and Rehabilitation Periods for Multiemployer Pension Plans in Critical and Endangered Status for 2020 or 2021. Under the bill, a plan in endangered or critical status for a plan year beginning in 2020 or 2021 could extend its rehabilitation period by five years. This would give a plan additional time to improve its contribution rates, limit benefit accruals, and maintain plan funding—all on its own terms. This provision is effective for plan years beginning after December 31, 2019.

Sec. 9704 - Adjustments to Funding Standard Account Rules. Funding shortfalls as a result of investment losses are generally required to be made up over a period of 15 years. Following the financial crisis of 2008, multiemployer plans were allowed to amortize investment losses from 2008 or 2009 over a period of 30 years. Under the legislation, for investment losses or reductions in regularly scheduled employer contributions, a plan could use a 30-year amortization base to spread out losses over time. Pension plans, participants, and plan sponsors need more stability and a longer period over which to pay for long-term liabilities that can stretch out for decades. This would help a plan weather this economic and financial storm. This provision is effective for plan years ending on or after February 29, 2020.

Sec. 9705 - Special Financial Assistance Program for Financially Troubled Multiemployer Plans.

About 10 million Americans participate in multiemployer pension plans and about 1.3 million of them are in plans that are quickly running out of money. Many of these troubled multiemployer plans cover workers who are on the front lines of the COVID-19 public health crisis, such as trucking, food processing, grocery store workers, and others. Even before the pandemic, workers, businesses, and retirees faced a crisis and were in dire need of our help. The economic catastrophe resulting from COVID-19 has exacerbated the multiemployer pension crisis and threatened the hard-earned pensions of even more workers and retirees. This threatens to bankrupt the Pension Benefit Guaranty Corporation ("PBGC"), impose damaging liabilities on thousands of businesses, and devastate communities across the country.

To address this crisis, the legislation generally would create a special financial assistance program under which cash payments would be made by the PBGC to financially troubled multiemployer pension plans to ensure that such plans can continue paying retirees' benefits. The PBGC would be provided with the amounts necessary to provide such payments through a general Treasury transfer.

Multiemployer pension plans that would be eligible for this program generally would include plans in critical and declining status and plans with significant underfunding with more retirees than active workers in any plan year beginning in 2020 through 2022. In addition, plans that have suspended benefits and certain plans that have already become insolvent also would be eligible.

Applications for special financial assistance under this program must be submitted no later than December 31, 2025. Once an application is approved, the payment made by the PBGC to the eligible multiemployer pension plan would be made as a single, lump sum payment. The amount of financial assistance would be such amount required for the plan to pay all benefits due during the period beginning on the date of enactment and ending on the last day of the plan year ending in 2051 with generally no reduction in a participant's or beneficiary's accrued benefit. Plans would be required to invest such amounts in investment-grade bonds or other investments as permitted by the PBGC.

By stabilizing these pensions, the special financial assistance program for financially troubled multiemployer plans would protect retirees who worked for decades to earn their benefits. It would also help businesses avoid crushing liabilities and support communities around the country.

In addition, the legislation would increase the PBGC multiemployer plans premium rate to $52 per participant starting in calendar year 2031. Such premium rate would be indexed for inflation.

Sec. 9706 - Extended Amortization for Single Employer Plans. In light of an ongoing pattern of interest rate and market volatility due to the COVID-19 public health crisis, the current law requirement to amortize funding shortfalls over seven years is no longer appropriate. Pension plans, participants, and plan sponsors need more stability and a longer period over which to pay for long-term liabilities that can stretch out for more than 50 years. Accordingly, under the bill, the following rules would apply to all single employer pension plans. All shortfall amortization bases for plan year 2019 or 2020 (at the election of the plan sponsor) and all shortfall amortization installments determined with respect to such bases would be reduced to zero. For all plan years beginning after December 31, 2019, all shortfalls would be amortized over 15 years, rather than seven years. The plan sponsor also may elect to apply this provision for the 2019 plan year.

Sec. 9707 - Extension of Pension Funding Stabilization Percentages for Single Employer Plans. In 2012, 2014, and 2015, Congress provided for pension interest rate smoothing in order to address concerns that historically low interest rates were creating inflated pension funding obligations, diverting corporate assets away from jobs and business recovery. Under interest rate smoothing, the interest rates used to value pension liabilities must be within 10% of 25-year interest rate averages. The smoothed interest rates would begin phasing out in 2021, with the 10% corridor around the 25-year interest rate averages increasing five percentage points each year until interest rates need only be within 30% of the 25-year averages. Because of this phaseout, smoothing would soon cease to have much effect. In order to preserve the stabilizing effects of smoothing: The 10% interest rate corridor would be reduced to 5%, effective in 2020. The phase-out of the 5% corridor would be delayed until 2026, at which point the corridor would, as under current law, increase by 5 percentage points each year until it attains 30% in 2030, where it would stay. A 5% floor would be put on the 25-year interest rate averages. This floor would establish stability and predictability on a longer-term basis, so that interest rate variations do not create excessive volatility. In addition, this floor would protect funding rules from the extremes of interest rate movements. This provision is effective for plan years beginning after December 31, 2019.

Section 9708 - Modification of Special Rules for Minimum Funding Standards for Community Newspaper Plans. Community newspapers are generally family-owned, non-publicly traded, independent newspapers. The recently enacted SECURE Act provided pension funding relief for a number of community newspaper plans by increasing the interest rate to calculate those funding obligations to 8 percent. Additionally, the SECURE Act provided for a longer amortization period of 30 years from 7 years. These two changes enable struggling community newspapers to stretch out their required pension plan contributions over a longer time period. The legislation would expand the SECURE Act relief to additional community newspapers.

Section 9709 - Cost of Living Adjustment Freeze. Under current law, various qualified retirement plan limitations are indexed for inflation. For 2021, the Code Section 415(c) annual contribution limit for defined contribution plans is $58,000 – and the 415(b)(1)(A) annual defined benefit limit is $230,000. In addition, for 2021, the 401(a)(17) annual compensation limit is $290,000. The legislation would freeze these limits starting in calendar year 2030.