Emergency Pension Plan Relief Act of 2021 (EPPRA)

Title I – Relief for Multiemployer Pension Plans

Sec. 101. Special Partition Relief. 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.

Under current law, PBGC has limited authority to partition certain troubled multiemployer pension plans. In a partition, PBGC takes on the financial responsibility of some of the benefits of an eligible plan, so that the plan can stay solvent. EPPRA creates a special partition program that would expand PBGC’s existing authority, increase the number of eligible plans, and simplify the application process—allowing more troubled plans to obtain much-needed relief. Just like the bipartisan Butch Lewis Act (H.R. 397, 116th Congress), eligible plans would include: plans in critical and declining status, plans with significant underfunding with more retirees than active workers, plans that have suspended benefits, and certain plans that have already become insolvent. In contrast, EPPRA allows plans to become eligible for the special partition program through 2024.

PBGC is required to issue regulations within 120 days of enactment of this legislation and may prioritize the processing of applications of plans most in need. A qualifying plan may apply to PBGC and, upon approval, would receive financial assistance. Under the special partition program, a plan would receive enough financial assistance to keep it solvent and well-funded for thirty years—with no cuts to the earned benefits of participants and beneficiaries. Plans that previously cut benefits would have to restore them to the retirees who earned them. In exchange for the financial assistance, each plan would have to comply with certain conditions, and would be required to file regular comprehensive reports to PBGC and to the Congressional committees of jurisdiction.

This legislation also includes important accountability and transparency provisions. PBGC would be required to annually report to Congress. The Government Accountability Office (“GAO”) would be required to regularly evaluate PBGC’s implementation and administration of the special partition relief program. PBGC’s Inspector General would receive funding to audit the special partition relief program to prevent against waste, fraud, and abuse. PBGC would be required to establish and regularly update a user-friendly website so that plan administrators, employers, participants, beneficiaries, interested stakeholders, and the public can track the implementation and administration of the special partition relief program. Because PBGC currently receives no appropriations, the legislation includes additional funding to cover the costs of the program.
By stabilizing these pensions, the special partition relief program 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.

**Sec. 102. Repeal of Benefit Suspensions for Multiemployer Plans in Critical and Declining Status.** Upon date of enactment, no plan would be permitted to apply, or be approved, for a suspension of benefits under the Multiemployer Pension Reform Act (“MPRA”). This restores the promise of a secure retirement for millions of workers currently in danger. Going forward, no participant or beneficiary in a multiemployer pension plan would suffer a cut to their earned benefits under MPRA.

**Sec. 103. 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. 104. 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. 105. 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 in plan years beginning in 2019 and 2020, 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. 106. PBGC Guarantee for Participants in Multiemployer Plans.** PBGC provides a maximum guaranteed benefit of $12,870 to a participant in a multiemployer plan, if that participant had 30 years of service. The guarantee is 100% of the first $11 of the monthly benefit rate, plus 75% of the next $33 of the monthly benefit rate, multiplied by the participant’s years of credited service. This legislation would double the guarantee to 100% of the first $15 in monthly benefits per year of service and 75% of the next $70 in monthly benefits per year of service, and indexes it thereafter. This would help participants and beneficiaries receive more of the benefits they earned through their hard work and service.
Title II – Relief for Single Employer Pension Plans

Sec. 201. 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, effective for plan years beginning after December 31, 2019: All shortfall amortization bases for all plan years beginning before January 1, 2020 (and all shortfall amortization installments determined with respect to such bases) would be reduced to zero. All shortfalls would be amortized over 15 years, rather than seven years.

Sec. 202. 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.