TIC International Corporation
Benefit Administrators and Consultants

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# CLIENT BULLETIN

## *Bill To Authorize A New "Composite" Multiemployer Pension Plan Design Introduced Into House*

Representatives David Roe (R-TN-1) and Donald Norcross (D-NJ-1) recently introduced into the House of Representatives a Bill (H.R. 4997) to authorize the creation of a new multiemployer pension plan design, the "composite" plan. The Bill is named the *Giving Retirement Options to Workers Act of 2018 (GROW Act).* The composite plan concept was part of the proposal by the National Coordinating Committee for Multiemployer Plan's (NCCMP) Retirement Security Review Commission's "Solutions not Bailouts."

The following resources hosted on the NCCMP website are available to help understand the composite plan design proposal:

Section by Section Summary

FAQs

Fact Sheet

News Release

We have prepared a special copy of the Bill with an interactive table of contents which is available by "*clicking here*."

**Composite Plans**

We discussed composite plans in *Client Bulletins 2016-51* and *2017-10* and refer the reader there for more detail. We noted that a composite plan is designed to combine the flexibility and certainty of a 401(k)-style DC plan with the lifetime income provided by a DB pension plan. A composite plan will never have employer withdrawal liability (EWL). The composite plan is not insured by the PBGC, so there are neither PBGC premiums nor premium increases to worry about.

Composite plans will be professionally managed and benefits will be provided in the form of annuities. The trustees managing the composite plan will set benefit levels

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based on incoming contributions and conservative funding requirements. If the plan is not expected to be 120% funded in 15 years, the plan will be required to implement a realignment program that may include contribution increases, benefit accrual decreases and benefit adjustments. These strict funding requirements are designed to ensure composite plans are able to weather any challenges they might face, considering there are no funding backstops from EWL or PBGC insurance.

The proposal aims to ensure that existing multiemployer pension plans, also known as legacy plans, are sufficiently funded. A "legacy plan" is the original DB plan that existed before the adoption of a "composite plan." This will be true even for employers and unions who choose to transition to new composite plans. Employers who contribute to a composite plan will be required to fund existing multiemployer pension commitments.

In addition to having no EWL, contributions to a composite plan are <u>not</u> taken into consideration when determining EWL with respect to the legacy plan. A legacy plan is deemed to have no unfunded vested benefits if a plan is:

- fully funded under the PBGC's "mass withdrawal" requirements,
- had no unfunded vested benefits for three of the last five years, and
- projected to be fully funded for the next five years.

To help ensure against volatile markets, tax-deductible contributions to the composite plan are allowed up to a 160% funded ratio.

## Looking Ahead

The proposed legislation is in the early stages of the process. As of yet, there is not a companion Bill in the Senate. Although there are many advocates of the composite plan alternative, the reception to the idea has met with opposition from parts of the Labor community and others.

We will report on any further developments on this legislation.

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