Keep Our Pension Promises Act

The Keep our Pension Promises Act will protect earned pension benefits for retirees and strengthen multiemployer pension plans for participating employers and workers.

Shores up 150-200 multi-employer plans covering an estimated 1.5 million workers Paid for by closing arbitrary tax loopholes for the wealthy

Background

More than 10 million Americans depend on a multiemployer pension plan for their retirement security. For more than 40 years, U.S. law prevented ongoing pension plans from unilaterally cutting retiree's promised benefits. But last year, provisions to reform multiemployer pensions plans were slipped into the 1,600 page omnibus spending bill that Congress had to pass to avoid a government shutdown. These provisions made individuals who worked hard their entire careers, giving up pay raises and other benefits for the promise of a pension, vulnerable to having their benefits slashed and being thrown into poverty.

The multi-employer pension system unquestionably faces a funding shortfall. Some of the largest multiemployer plans are underfunded and have low ratios of workers to retirees, putting an impossible burden on contributing employers. For example, the Central States plan is the largest multiemployer pension plan in the nation. But Congress's decision to deregulate the trucking industry in the 1990's led to a spike of companies exiting the plan, often because of bankruptcy. Today, about half of the individuals receiving benefits from the plan are "orphans," or individuals left behind in retirement plans by an employer that exits the plan or goes bankrupt, often leaving unfunded liabilities for the companies remaining in the plan.

The Keep Our Pension Promises Act

Protects retirees by restoring the anti-cutback rule
These pensions were earned by individuals through a lifetime of hard work and are crucial to their retirement security. This bill would restore anti-cutbacks rules so that retirees in financially troubled multi-employer pension plans will be protected from having their earned benefits cut.

Strengthens multi-employer pension plans
This bill allows plans to partition off "orphaned" participants into a separate plan, giving participating employers relief from having to shoulder the full financial burden and risk of underfunded "orphaned" participants. This will help ensure that plans can become financially secure and strong.

Provides additional funding to help protect retirees and the PBGC
A legacy fund would be created within the federal pension insurance program, the Pension Benefit Guaranty Corporation (PBGC) to help ensure that participants in partitioned plans will continue to receive the benefits they depend upon. The cost to shore up the PBGC and create this legacy fund would be covered by closing tax loopholes used by the very wealthy to accumulate expensive artwork and avoid estate and gift taxes.

Protects employers participating in multiemployer plans

This bill ensures pension obligations are prioritized during bankruptcies. This helps the remaining employers in the plan by making it less likely they become responsible for underfunded orphans.

Shared sacrifice

Unlike the "reform" legislation slipped into last year's omnibus spending bill that put the largest financial burdens on plan participants who have few other sources of income for a secure retirement, the Keep Our Pension Promises Act is a plan of shared sacrifice.

How the bill works:

Section 2: Restores ERISA's anti-cutback provision to protect retirees promised and earned pension benefits and prevent retirees from being thrown into poverty.

Section 3: Strengthens existing plans by allowing the partitioning off of plan participants whose employers left the plans. Creates and funds a legacy fund to shore up the PBGC to provide pension plans the financial assistance they need to ensure that workers and retirees will have the secure retirement they earned.

Section 4: Makes pension obligations a higher priority during the liquidation of bankrupt companies.

Section 5: Closes a tax loophole that allows the wealthy to defer taxes by doing certain exchanges, most frequently involving expensive artwork. This raises $11 billion over ten years.

Section 6: Restricts a tax loophole that allows wealthy families to reduce estate and gift tax exposure through valuation discounts, which are formal restrictions which are claimed to dramatically reduce the value for estate or gift tax purposes but often meaningless in practice. This raises $18 billion over ten years.