



International Association of Machinists & Aerospace Workers

IAM Opposes “Composite” Pension Plans

In the last Congress, the House Education & Workforce Committee released draft legislation that would have allowed for the elimination of employer withdrawal liability for so-called multiemployer composite pension plans, which are designed to be a cross between a defined benefit plan and defined contribution plan.

The IAM strongly support defined benefit pensions plans that provide guaranteed lifetime income to retirees. **The composite legislation, which we expect to be reintroduced, does not go nearly far enough to ensure the retirement security of participants in multiemployer pension plans.** The draft provides inadequate funding for composite plans and weakens the funding base for existing (“legacy”) plans by allowing plans to “refinance” their obligations to the legacy plan over 25 years—more than 10 years longer than current law allows. This reduces contributions to fund benefits under legacy plans, making them vulnerable to funding shortfalls in times of market volatility.

Protecting the benefits of workers in legacy plans would require deep cuts to active workers in composite plans in times of market instability. Even devastating benefit cuts for active composite plan participants may not be enough to save the legacy plans from painful benefit cuts. Moreover, the legislation would permit unprecedented cuts to retirees’ benefits. The proposed legislation does not even contain the few procedural protections for composite plan participants offered to traditional and legacy plans by the Multiemployer Pension Reform Act (MPRA), making it much easier for composite plans to make massive benefit cuts. Additionally, composite plans, unlike traditional and legacy plans, are not protected by the Pension Benefit Guaranty Corporation (PBGC).

Finally, composite plans are exempt from paying PBGC premiums, and as a result, PBGC premium contributions will drop precipitously. When combined with plan failures, the PBGC will be saddled with significant new liabilities at the same time an already underfunded multiemployer insurance program is depleted of funds.

While the IAM does not oppose the concept of new forms of retirement plans, we do oppose legislation that changes pension funding rules in a way that harms retirement security. Any new composite legislation must not put American workers and retirees at a greater risk of cuts to their retirement savings and pensions.