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IBEW FACT SHEET

Composite Plans Will Cut Pensions, Bail Out Employers

The International Brotherhood of Electrical Workers (IBEW) opposes composite pension plans because they will sharply reduce pension benefits for current workers and retirees, eliminate employer withdrawal liabilities, and threaten the viability of the federal pension insurance program (the Pension Benefit Guaranty Corporation or PBGC).

WHAT ARE COMPOSITE PLANS AND THE GROW ACT?

Composite plans are hybrid pension plans that combine elements of the defined benefit and defined contribution ("401(k)") systems. The main features of composite plans are:

- Employer contributions would generally be stable and would not need to increase in response to investment losses.
- Participants would receive benefits for the lifetime of the participant.
- Participants' benefits would likely decrease if a plan's assets experienced investment losses.
- Composite plans would not be covered by PBGC insurance and would not receive financial assistance if a composite plan were to become insolvent and unable to pay participants' benefits.
- Composite plans would not require withdrawal liability, which is an exit fee employers in defined benefit multiemployer pension plans must pay, to leave the plan.
- Composite plans would be required to be funded at 120% of plan liabilities. Plans that are below this threshold would be required to take remedial action, including increasing employer contribution rates (negotiated by bargaining parties), reducing benefits for current workers, reducing future accrual rates and reducing retiree benefits.

The Giving Retirement Options to Workers (GROW) Act would allow current defined benefit multiemployer pension plans to switch to composite plans by taking funds out of current defined benefit plans to fund the new composite plans. Pension plans would be required to fund the older defined benefit plans and the new composite plans from the same pot of money.

A PLAN TO FAIL

Employers would have every incentive to pressure labor leaders to switch to composite plans during collective bargaining negotiations, especially during periods of economic downturn. The GROW Act acts as a backdoor bailout for employers who want to lower their pension contributions and eliminate their withdrawal liability from the pension system. These incentives, coupled with the lack of premiums to the PBGC, would deepen the current crisis in the multiemployer pension system and possibly lead to the failure of the PBGC's multiemployer pension insurance program.

A 2016 Obama-Biden Administration white paper that opposed a House plan to pass composites said:

> *The Administration is fundamentally concerned that [composite plans] would put workers' and retirees' existing pension benefits at greater risk and that the new type of pension it would create would unacceptably shift the risk to workers without adequate safeguards or transparency. It also weakens protections for plan participants by depriving them of insurance in case their plan fails.*

Western Conference of Teamsters modeling concluded:

> *A typical, mature composite must cut workers' on-going benefits by 70% and their previously earned benefits by 25% … Additionally, the legacy plan must still cut workers' previously earned benefits by 21%.*

ASK

The IBEW urges House Democrats to pull the GROW Act out of the HEROES Act – the latest pandemic response bill – before it comes up for a vote.