BRIEFING ROOM

FACT SHEET: President Biden Announces Historic American Rescue Plan Pension Relief for Millions of Union Workers and Retirees

JULY 05, 2022 • STATEMENTS AND RELEASES

Tomorrow, President Biden will join union workers and retirees at the Max S. Hayes High School in Cleveland, Ohio to announce the final rule implementing the American Rescue Plan's Special Financial Assistance program. The American Rescue Plan provided critical assistance to working families and jump started our economic recovery, re-opening 99% of schools, helping to create more than 8 million jobs, and generating the fastest economic growth in 40 years. The Special Financial Assistance Program will protect millions of workers in multiemployer pension plans who faced significant cuts to their benefits.

Multiemployer plans are created through agreements between employers and a union, with plans typically involving multiple employers in a single industry or related industries. A typical worker whose multiemployer plan became insolvent would see their expected pension benefits slashed substantially. Before the American Rescue Plan, workers and retirees participating in more than 200 multiemployer pension plans faced the prospect of not receiving the full benefits they earned and need to support them and their families in retirement.

These plans are insured by a federal agency, the Pension Benefit Guaranty Corporation (PBGC). PBGC provides partial protection of the benefits of approximately 10.9 million workers and retirees in approximately 1,400 private-sector multiemployer, union-connected plans. Prior to the America Rescue Plan, the PBGC's multiemployer pension insurance program was projected to become insolvent in 2026.

The American Rescue Plan Protects Retirees' Pension Benefits

Named for heroic Ohio union leader and pension advocate Butch Lewis, the American Rescue Plan's Special Financial Assistance program will provide financial relief to struggling multiemployer pension plans and ensure that millions of families facing benefit cuts will receive their full benefits they earned.

Under the program, financially struggling multiemployer pension plans can apply to the PBGC for assistance. PBGC issued an Interim Final Rule implementing the program in July 2021. Unions, employers, and other key stakeholders provided important comments that PBGC and the three Cabinet agencies that constitute its Board of Directors (the Labor, Treasury, and Commerce Departments) considered in developing the Final Rule. Important policy changes from the Interim Final Rule to the Final Rule include:

- **Addressing the amount of Special Financial Assistance needed to better achieve the goal of allowing plans to remain solvent until 2051.** The interim final rule applied a single rate of return included in the statute that is higher than could be expected for Special Financial Assistance funds given that they were required to be invested exclusively in safe, but low-return, investment-grade fixed income products. The final rule uses two different rates of return for SFA and non-SFA assets so that the interest rate for SFA assets is more realistic given the investment limitations on these funds. This policy fix will help ensure that all multiemployer plans that receive assistance will receive sufficient funds to remain solvent until 2051.
- **Responsible permissible return-seeking investments:** The final rule allows 33% of Special Financial Assistance to be invested in return-seeking assets that are projected to allow plans to receive a higher rate of return on their investments than under the interim final rule, but subject to strict protections. This portion of plans' SFA funds generally must be invested in publicly traded assets on liquid markets to ensure responsible stewardship of federal funds. These return-seeking investments include equities, equity funds, and bonds. The other 67% of SFA funds must be invested in investment-grade fixed-income products.
- **Ensure MPRA plans could confidently restore both past and future benefits and enter 2051 with rising assets.** PBGC designed the final rule to ensure that no MPRA plan – the 18 multiemployer plans that remained solvent by cutting benefits pursuant to the Multiemployer Pension Reform Act of 2014 (MPRA) – was forced to choose between restoring their benefit payments to previous levels and remaining indefinitely solvent, as required by the Act. The final rule ensures that all 18 MPRA plans avoid this dilemma, with enough assistance so that these plans can both restore benefits and be projected to remain indefinitely solvent going into 2051.

Taken together, these changes ensure that all plans that receive Special Financial Assistance are projected to be solvent and pay full benefits through at least 2051.

The American Rescue Plan's Special Financial Assistance Program Will Have Historic Impacts:

- **Positions multiemployer plans that receive assistance to remain solvent through at least 2051 – with no cuts to earned benefits:**
  - **Before American Rescue Plan:** over 200 multiemployer plans were on pace to become insolvent in the near term.
  - **After:** Thanks to the American Rescue Plan, every multiemployer pension plan that faced near-term insolvency and benefit cuts that receives Special Financial Assistance is projected to remain solvent through 2051, and for much longer.
- **Protect benefits for millions of workers who faced cuts:**
  - **Before the American Rescue Plan**: a wave of multiemployer pension plan insolvencies was projected to leave two to three million union workers, retirees, and their families without the full benefits they had earned.
  - **After:** Two to three million workers and retirees in plans that receive assistance are expected to have their full pension benefits for the next three decades.
- **Harsh Pension Cuts Reversed for over 80,000 Workers and Retirees in 18 Multiemployer Plans:**
  - **Before**: MPRA allowed plans to, for the first time, cut workers' and retirees' benefits in order to remain indefinitely solvent. Eighteen multiemployer "MPRA plans" were approved to utilize this program.
  - **After:** More than 80,000 workers and retirees in MPRA plans who, through no fault of their own, had their pension benefits cut, are eligible to have those benefits fully reinstated – with their plans solvent through 2051. The Special Financial Assistance program ensures all MPRA plans that were forced to cut benefits are able to restore those cuts in full, maintain full benefits into the foreseeable future, and be projected to remain indefinitely solvent.
- **Most significant effort to protect the solvency of the multiemployer pension system in almost 50 years:**
  - **Before:** Before the American Rescue Plan, because of the anticipated financial pressures from the need to guarantee minimum (partial) benefits for insolvent plans, PBGC's Multiemployer Pension Insurance Program was projected to become insolvent in 2026.
  - **After:** The American Rescue Plan's Special Financial Assistance program extended the solvency of the PBGC multiemployer insurance program from 2026 to 2055. This relief is the most substantial policy to strengthen the solvency of our nation's multiemployer pensions since the enactment of the Employee Retirement Income Security Act (ERISA) in 1974.

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Proclamation on Honoring The Victims Of The Tragedy In Highland Park, Illinois

JULY 05, 2022 • PRESIDENTIAL ACTIONS

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