July 23, 2019

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National Taxpayers Union urges all Representatives to vote "NO" on H.R. 397, the Rehabilitation for Multiemployer Pensions Act. This legislation would bail out failing private pension plans with few guardrails for taxpayers and cost at least $67 billion over the next decade. Congress should instead pursue legislation that tackles the multiemployer pension plan (MPP) crisis in a prudent, determined, patient and gradual way.

NTU has noted before that the MPP crisis, which affects 1.5 million Americans, deserves attention from Congress. However, H.R. 397 is a flawed piece of legislation. We wrote last month and in 2018 that, when it comes to MPPs, "[i]nfusions of cash from the Treasury with few restrictions tend to characterize overreaction rather than corrective action." Unfortunately, this is exactly what H.R. 397 does, by providing 30-year loans to failing MPPs with few guardrails for taxpayer dollars. We believe that H.R. 397 will hurt workers in the long run, by allowing plan sponsors to double down on unrealistic promises and assumptions.

H.R. 397 will also exacerbate the troubled state of the Pension Benefit Guaranty Corporation (PBGC), which is scheduled to reach insolvency during fiscal year (FY) 2025. Portions of PBGC's operations have appeared on the Government Accountability Office's High Risk List for over a decade, and H.R. 397 fails to introduce real reforms to PBGC.

Finally, we are alarmed by the Congressional Budget Office (CBO) report that pegged the cost of H.R. 397 at more than $67 billion over the next decade. NTU must add, though, that even this troubling CBO score fails to account for the 30-year timeframe on the repayment of loans issued to failing MPPs. It is reasonable to assume that the 30-year costs to taxpayers will be at least tens of billions of dollars more, and even greater if MPPs fail to pay back the full principal and interest on Treasury Department loans.

We have outlined more prudent reforms before: require PBGC to more fully embrace risk pricing and other management tools to safeguard against liability surprises in the future; include a uniform, significant benefit reduction to show good faith in the reform effort; and require that loans be collateralized with real-world assets that ensure the loans will be entirely repaid over a term measured in years rather than decades. We believe any of these reforms would present far better options to solving the MPP crisis than H.R. 397.

NTU strongly urges Representatives to oppose H.R. 397, and instead work towards prudent, determined, patient and gradual solutions to the MPP crisis that avoid putting taxpayers on the hook for multibillion-dollar bailouts.

Roll call votes on H.R. 397 will be included in our annual Rating of Congress and a "NO" vote will be considered the pro-taxpayer position.

If you have any questions, please contact NTU Policy and Government Affairs Associate Andrew Lautz at alautz@ntu.org

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