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## Key Legislative Developments Affecting Your Human Resources

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## Panel Examines New Multiemployer Plan Designs; Cadillac Tax Repeal Bill Introduced

A panel in the House heard testimony this week on an industry group's proposal for a new type of composite retirement plan — with attributes of both defined contribution and defined benefit plans. Also this week, legislation was introduced in the House that would repeal the Affordable Care Act's excise tax on high-cost plans.

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### Retirement

The Subcommittee on Health, Employment, Labor, and Pensions of the House's Education and the Workforce Committee held a [hearing](#) on Wednesday on new benefit designs for multiemployer pension plans. In his [opening remarks](#), Chairman David Roe (R-TN) noted that the enactment of the Multiemployer Pension Reform Act of 2014 (MPRA) has strengthened the multiemployer plan system, but observed that modernization of the system is necessary and workers need new options to help plan for their retirement. (Please see our [January 12, 2015 For Your Information](#) for more information on the MPRA.) Chairman Roe specifically mentioned a new "composite" pension plan design developed by the National Coordinating Committee for Multiemployer Plans (NCCMP).

[NCCMP testified](#) at the hearing on the features of its composite plan design that it hopes will attract new contributing employers to multiemployer pension plans:

- The new plan design would be a successor to defined benefit pension plans that are currently permitted under law, and benefit formulas could mirror those currently provided.
- While participants would receive lifetime income payments, their benefit under the new plan would be variable— since it would be based on the market value of the composite plan's assets, with periodic benefit adjustments to reflect market value.
- Employers would be required to make annual contributions to fund accruals under the new composite plan — with the minimum contribution based on 120% of projected cost.



- The plan's actuary would determine annually whether the plan is 120% funded over a 15 year period — with required adjustments to benefits to reflect shortfalls — and increased contributions would be permitted if the bargaining parties agree.
- In the event of a severe market downturn, the plan's trustees would first reduce non-core plan benefits such as early retirement subsidies, subsidized surviving spouse benefits, and post-retirement benefit improvements. Only in a catastrophic market downturn would trustees adjust core benefits.
- Benefit accruals under the new plan would not be insured by the PBGC, and there would be no employer withdrawal liability — however, legacy benefits would still be covered by the PBGC and subject to withdrawal liability.

Also testifying at the hearing were representatives from a large employer who contributes to multiemployer plans, a construction industry trade association, and a construction industry union that sponsors with its bargaining parties more than 150 multiemployer plans. The witnesses generally expressed support for the new composite plan design — for example, noting that withdrawal liability is forcing some employers to discontinue plan participation and causing new employers to avoid the multiemployer pension plan system entirely.

## Healthcare

Legislation that would repeal the Affordable Care Act's 40% excise tax on high cost plans was [introduced](#) this week in the House by Rep. Joe Courtney (D-CT) as [H.R. 2050](#), the Middle Class Health Benefits Tax Repeal Act. The excise tax — sometimes referred to as the Cadillac tax — first takes effect in 2018. Notably, this legislation is primarily supported by Democrats, with 65 Democrats co-sponsoring the legislation and three Republicans. Rep. Frank Guinta (R-NH) previously introduced similar legislation, [H.R. 879](#) (the Ax the Tax on Middle Class Americans' Health Plans Act), that would repeal the tax and is co-sponsored by 27 Republicans.

Cost is a key obstacle to repeal of the excise tax, which Congress crafted in large part to finance expanded health coverage under the ACA. The Congressional Budget Office [estimated](#) in its most recent budget baseline that the excise tax will raise \$87 billion in revenue during the period of 2018 to 2025.

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