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Iron Workers Local 17 Pension Fund Participants Vote 'Yes' to Benefit Cuts

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On January 20, participants in the Iron Workers Local 17 Pension Fund became the first group of participants to vote and to approve benefit reductions under the Multiemployer Pension Reform Act of 2014 (MPRA). Prior to the vote, the Fund was projected to become insolvent by 2024. As reported in an earlier post, on December 16, 2016, this Cleveland-based Fund made headlines when the US Department of the Treasury surprisingly approved the Fund's MPRA rescue plan and authorized the next step—a participant vote on the benefit reductions.

Once the Treasury Department approves a plan's application to reduce benefits under MPRA, it conducts a vote of that plan's eligible participants and beneficiaries. The proposed reductions become effective *unless* a majority of all participants and beneficiaries vote to reject them. In other words, not casting a vote is the same as voting to approve the reductions.

By letter dated January 27, 2017, MPRA Special Master Kenneth Feinberg informed the Iron Workers Fund's Trustees of the voting results and provided a certification of those results. Out of 1,938 eligible voters, only 936 cast votes, with 616 voters approving the benefit reductions. Significantly, a majority of the Fund's participants and beneficiaries did not vote to reject the cuts—only 320 participants (16.5%) of eligible voters sent in "no" votes.

In his letter, Mr. Feinberg, on behalf of the Treasury Department, authorized the Trustees of the Iron Workers Fund to implement the benefit reductions. The Trustees are currently scrambling to implement the reductions with the participants' February 1 pension checks. Based on the Fund's application, these cuts generally involve reducing accrued benefits and eliminating early retirement subsidies and extra benefit credits indefinitely. The Trustees believe that these reductions are critical to improving the Fund's solvency over the long term. And now, it appears that the Treasury Department and participants agree.

After the Iron Workers Fund implements the benefit reductions, MPRA requires the Trustees to annually determine that

- all reasonable measures have been and continue to be taken to avoid insolvency, and
- the Fund is projected to become insolvent unless the suspensions continue.

If the Trustees fail to satisfy these requirements in any given year, the Fund could lose the right to impose these reductions effective on the first day of the next plan year.

Four other multiemployer plans (Automotive Industries Pension Fund, Bricklayers and Allied Craftworkers Local 5 Pension Plan, United Furniture Workers Pension Fund A, and New York State Teamsters Conference Pension and Retirement Fund) are waiting to hear whether the Treasury Department will approve their rescue plan applications. Given the success of the Iron Workers Fund's application, more financially troubled multiemployer pension plans may apply for permission to suspend benefits in 2017.

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