



CLIENT BULLETIN

Treasury Denies Central States Pension Fund's Application To Reduce Benefits Under MPRA

In somewhat of a surprise move, the Treasury Department **denied** the **application** of the Central States, Southeast and Southwest Areas Pension Plan ("Central States") to reduce benefits as allowed under the *Multiemployer Pension Reform Act* ("MPRA"). In order for an application to be approved, MPRA requires the proposed benefit suspensions be reasonably estimated to allow the plan to avoid insolvency.

According to a **letter written to the Treasury** signed by all 44 Democratic Senators and two independent Senators, Central States proposed benefit reductions only had a 50.4% chance of helping the Plan avoid insolvency. Given the razor thin margin, the letter urged Treasury to closely examine the application and its assumptions.

Treasury determined that the suspensions described in Central State's Application fail to satisfy the following three requirements set forth in MPRA:

- that the proposed benefit suspensions, in the aggregate, be reasonably estimated to achieve, but not materially exceed, the level that is necessary to avoid insolvency, because the investment return [7.5%] and entry age assumptions used for this purpose are not reasonable.
- that the proposed benefit suspensions be equitably distributed across the participant and beneficiary population.
- that the notices of proposed benefit suspensions be written so as to be understood by the average plan participant.

The 10-page denial letter discusses each item in detail. It is important to note that the Treasury's problem with the 7.5% investment return assumption in this instance does not mean a 7.5% funding assumption for regular pension funding purposes is necessarily unreasonable.

Plan professionals for plans considering applying for benefit reductions under MPRA will want to review the Treasury denial and make any necessary adjustments.

The denial is appealable by Central States to a federal district court under *MPRA* under [Chapter 7 of Title 5](#) of the United States Code. Central State will no doubt be considering its options, including a revised submission. Its website will have more information. <http://www.cspensionrescue.com/>.

In light of the significant underfunding issues facing the PBGC's multiemployer program, the denial of the Central States application could trigger a domino effect and overwhelm the PBGC unless multiemployer premiums are raised or [Congress intervenes](#).

Final MPRA Regulations

As noted in [Benefit News Briefs 2016-23](#), the IRS published [final regulations](#) under *MPRA* on April 28. [Final regulations](#) on voting under *MPRA* were released May 3. The regulations replace the prior [temporary regulations](#) and fill-in the numerous places in the temporary regulations that were marked "reserved". A redline of these two final regulations compared to the temporary regulations is available by "[clicking here](#)."

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