

# **Pension Stability Act**

## *Introduced by Senator Tammy Baldwin*

*Reform to provide additional funding to protect pensions by imposing fees on financial firms convicted of criminal acts*

### **Strengthening the Pension Benefit Guaranty Corporation**

The Pension Benefit Guaranty Corporation's (PBGC) insurance program for multiemployer pensions covers more than 10 million workers and retirees. In August 2019, PBGC issued its 2018 projections report and again made clear that the multiemployer program is projected to run out of money by the end of 2025. Moreover, about 125 multiemployer plans covering 1.4 million people are expected to run out of money over the next 20 years. More and larger claims on the multiemployer program will deplete PBGC's assets and lead to the program's insolvency.

The *Pension Stability Act* would help shore up the PBGC's finances without raising premiums. The bill will direct new user fees collected by the Department of Labor (DOL) to the PBGC. Transfers will be directed to the multiemployer program until such time as the multiemployer program is in a substantially similar financial condition as the single employer program, at which time the collected user fees will be divided equally between the programs. If the finances of the programs diverge at a later date, the Director of the PBGC and the PBGC Board would be able to reallocate this revenue to match the programs' financial needs.

### **Background on the Revenue Source**

The bill would create a new revenue source for PBGC by setting a user fee on waivers from DOL sought by qualified professional asset managers to continue working with retirement plan assets after having committed a financial crime.

A "qualified professional asset manager" (QPAM) is a bank, insurance company, or other federally registered investment advisor that manages the interests of an employee benefit plan in an investment fund. Prohibited Transaction Exemption 84-14 (PTE 84-14) details the requirements for these entities to serve as QPAMs. If, however, such an entity, which broadly includes its affiliates, has been convicted of a crime, it must seek an individual exemption from DOL, which is often called a QPAM waiver, in order to continue working with retirement plan assets.

These individual exemptions are tailored specifically to each firm and have become more extensive in recent years. Crimes committed by firms seeking a QPAM waiver range from currency price fixing, to false tax filings, to securities fraud.

Currently, DOL does not charge user fees for reviewing applications for individual exemptions. This bill would direct the Secretary of Labor to establish regulations setting a user fee schedule based on the severity of the crime committed with a minimum \$1 million fee per application. For repeat offenders, the user fee would be increased by the number of prior waivers sought.

Pension Rights Center is supportive of the legislation.