Proposed Solutions: The GROW Act

Common Questions	The Reality of The GROW Act
Would the GROW Act drain contributions from existing multiemployer plans to fund new composite plans?	No. Under the GROW Act, the legacy defined benefit plan is frozen, which caps the liabilities. The GROW Act statutorily requires contributions to the legacy plan from current employers *as well as* new employers. This strengthens the legacy plan by providing a new revenue stream to pay off any unfunded liability. The new GROW Act plan is required to be funded at 120% with annual adjustments if needed.
Would the GROW Act permit draconian cuts to workers' promised benefits and subject retirees to devastating cuts to their pensions?	No. Under the GROW Act, workers will continue to receive in full all pensions earned under their current multiemployer plan. All rules that currently govern the multiemployer system will continue to apply to the legacy defined benefit portions of new GROW plans. The GROW Act also includes additional funding protections beyond those required under current law to ensure that legacy plan benefits remain funded, and that benefits already accrued are paid in full.
Would the GROW Act make it easier for employers to withdraw from pension plans without paying their fair share of the plan's liabilities?	No. All employers are required to meet the obligations they have for benefits that participants have earned in the legacy plan to date, without exception. Once a multiemployer plan chooses to adopt a GROW plan, no further benefits are earned under the legacy plan and existing unfunded liabilities must be repaid over 25 years. As under current law, any employer that wants to withdraw from a multiemployer plan rather than continue into a GROW plan must pay its share of liability to the multiemployer defined benefit plan. That employer is then prohibited from joining a GROW plan for five years. This provides a strong disincentive to the stakeholders to bargain out of an existing multiemployer plan.
Does the GROW Act undermine the solvency of the PBGC?	No. Plans that choose to utilize the GROW plan design will continue to pay premiums to the PBGC for all participants in the legacy plan, without exception. Benefits accrued in the composite component of a GROW plan are not covered by the PBGC guarantee and as such, no PBGC premiums are required. Legacy plan funding is strengthened since the legacy plan is frozen and any unfunded liabilities are paid off with statuatory contributions from current and new employers in the GROW plan. Retaining existing employers and attracting new employers will keep contributions flowing to legacy plans, reducing pressure on the PBGC by preventing future multiemployer plan failures. Employers not already in multiemployer pension plans are more likely to sign a collective bargaining agreement because of the availability of a GROW plan design. New employers and the new participants they add do not increase the PBGC's obligations because, as participants in a GROW plan, they are not covered by the PBGC guarantee. Furthermore, without the proposed GROW Act, these new employers would not have elected to contribute to multiemployer plans and would never have been part of the PBGC's premium base.
Under the GROW Act, would workers lose the safety net of PBGC insurance coverage?	No. The PBGC's multiemployer guarantee fund is facing insolvency no later than 2025. At best, the PBGC guarantee represents severe benefit reductions for participants in insolvent plans. At PBGC insolvency, participants will receive pennies on the dollar. The GROW plan design guards against insolvency, and reliance on a federal guarantee, by requiring that plans maintain a target funded ratio (assets over liabilities) of 120%, and that transition contributions are set at the level needed to fund liabilities in the legacy plan.