



## The Daily Dish

# A Silver Lining to the HEROES Cloud

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### Eakinomics: A Silver Lining to the HEROES Cloud

The Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act contained a slew of provisions in [tax](#), [health](#), [education](#), [finance](#), [housing](#), [labor](#), [energy](#) and other policies, many of them not particularly attractive. As [noted](#) by AAF's Gordon Gray, however, HEROES did represent a modest step forward in dealing with the financial problems facing multiemployer pensions.

[Multiemployer plans](#) are a significant and long-standing policy problem. [In 2017](#), there were 1,398 multiemployer defined-benefit pension plans with 10.5 million participants. Of these participants, 4.2 million were active participants and 6.3 million were retired or separated participants either receiving or eligible to receive benefits. Unfortunately, the liabilities of the multiemployer plans [exceed \\$1 trillion](#), while the assets are less than half of that, and firms are struggling to make needed contributions during the pandemic. Worse, if a plan fails, it will be taken over by the Pension Benefit Guarantee Corporation (PBGC). That is the good news. The bad news is that the PBGC itself is on the road to insolvency as well.

So something clearly has to be done. The options are pretty simple. First, one could put more money into the multiemployer plans. But many employers are leaving the multiemployer-plan system, and the remainder are loathe to pick up the bill for the history of underfunding. Second, one could cut the benefits coming out of the multiemployer plans. That, in turn, is a cruel financial turn of events for those retired and anathema to those currently working. Third, one could put taxpayer money into the plans.

To date, not a lot has been done to deal with the problem. As Gray notes, “the House passed H.R. 397, the Butch-Lewis Act, which provides taxpayer-funded grants to highly underfunded plans and taxpayer loans that can be forgiven to struggling multiemployer-pension plans. The taxpayer commitment was estimated at [near \\$70 billion](#) over 10 years, but without structural reforms to the system to prevent needing a bailout in the future. Indeed, CBO noted that ‘most multiemployer pension plans that received loans under H.R. 397 would become insolvent within a few years after the end of their loan repayment periods.’” That is, Butch-Lewis pours in taxpayer money to buy time to put in more taxpayer money.

So the important development with the HEROES Act is that the House Democrats did not simply drop Butch-Lewis into the Act. Instead, House Democrats included the Emergency Pension Plan Relief Act (EPPRA). Not only is this not Butch-Lewis, it “takes a step closer to a policy approach released by Senate Republicans last year.”

This appears to be a productive step forward on a difficult issue and is a welcome development.