Certain Benefits Are Protected
Under the Multiemployer Pension Reform Act

When the Trustees apply to reduce benefits to try to save the AFM-EPF, some participants have certain protections under current law. If the benefit reduction is approved, benefit payments will not be reduced until January 1, 2021. Following the legal requirements, we will provide individual monthly benefit reduction estimates in the first week of January 2020. However, we know now that many participants will either have no benefit reduction at all, or the size of their reduction will be limited because the Multiemployer Pension Reform Act (MPRA) provides certain protections for age, disability and small benefits.

In this issue of Pension Fund Notes, we will explain each of these protections (on some email clients, you can click on the links below to jump to the corresponding section):

- No reduction for those who are 80 or older, partial protection for those who are between 75 and 80; see Age Protections below for more
- No reduction of the portion of a benefit based on disability; see Disability Benefit Protections below for more
- No benefit reduction below 110% of the individual's benefit guaranteed by the Pension Benefit Guaranty Corporation (PBGC); see Maximum Benefit Reduction Under MPRA below for more

Under current law, none of these protections would be available if the Plan were to become insolvent.

Age Protections

MPRA includes specific protections that limit the benefit reduction based on age (click here to jump to a few examples illustrating how the age protections work). Let's start with what ages are protected and by how much (and then we can move to whose age you look at – participant, beneficiary or alternate payee).

- **80+:** Full protection from any benefit reduction for those age 80 or over on January 31, 2021 – no cut.

- **75-80:** Partial protection from benefit reduction for those between ages 75 and 80 on January 31, 2021. These protections are calculated on a sliding scale based on age. The older a participant is, the less his or her benefit can be reduced.
  - Specifically, the degree of partial protection is based on the number of months beginning with February 2021 and ending with the month in which the person turns 80. Here’s the formula:
    
    \[(\text{number of months until 80} \div 60) \times \text{amount of proposed reduction}\]

    - For example, if you are 78 years and 6 months old as of January 31, 2021, you will be 18 months away from age 80. The amount of your benefit reduction is multiplied by 0.3 (18 \div 60 = 0.3). If the proposed reduction to your benefit was $100, because of your age, the reduction would be only $30 ($100 \times 0.3 = $30).

This protection is applied only once, on January 1, 2021. It will not apply in the future if you reach 75, 76, etc., after January 31, 2021.

Moving to whose age you look at, generally speaking, if the participant is still living on January 1, 2021, the participant’s age determines whether the benefit is protected. In that case, the participant’s age determines what protections apply not
only to the participant’s benefit but also to the portion that might later be paid to a beneficiary after the participant dies. However, if the participant is deceased on the effective date of the reduction, the spouse or other beneficiary’s age is what matters.

The exception to these rules is where there is a Qualified Domestic Relations Order in place as part of a divorce or legal separation. In that case, the person’s age that matters depends on the type of order. If it is an order (called a shared payment order) that gives the alternate payee a share of each payment but allows the participant to choose the form and timing of payment, then it is the participant’s age that is used. If it is an order (called a separate interest order) that gives the alternate payee the separate right to receive the benefit at a time and in a form different from that chosen by the participant, then it is the alternate payee’s age that is used.

MPRA Age Protections

Here are a few examples to illustrate how the age protections work:

- **Participant is 80**: Julio will turn 80 years old on January 20, 2021. His benefit is fully protected from the benefit reduction that is effective on January 1, 2021 because he will be at least 80 as of January 31, 2021.
• **Participant is 80 but spouse is younger than 75**: Joan chose a joint and survivor benefit when she retired. Joan is 80 years old as of January 31, 2021 and her spouse is 74. Joan’s benefit is fully protected from the benefit reduction. If Joan dies before her spouse, her spouse’s survivor benefit will be based on the fully-protected amount.

• **Participant is between 75 and 80, but ex-spouse is younger than 75**: Rosa is entitled to a portion of her ex-husband’s benefit under what is known as a “separate interest” QDRO. Her ex-husband will be 78 years old as of January 31, 2021, so his benefit will be partially protected due to his age. However, because she has a benefit under a separate interest order, the reduction to Rosa’s benefit is based on her age and her piece of the benefit alone. Rosa will be 62 as of January 31, 2021 so there is no age protection for her benefit when the reduction occurs January 1, 2021.

• **Participant is younger than 75**: Paul will be 63 years old as of January 31, 2021 and he plans to wait until age 65 to start receiving benefits. Paul’s benefit is not shielded by any of the MPRA age protections because he is younger than 75 on the effective date of the reduction. If Paul later dies and his beneficiary receives a survivor benefit, the amount will be based on Paul’s reduced amount – his beneficiary’s age does not matter for purposes of the benefit reduction.

• **Participant is younger than 75 but spouse is 80**: Helen chose a joint and survivor benefit when she retired at age 65 and started receiving benefits. As of January 31, 2021, Helen will be 74 and her spouse will be 80. Helen’s benefit is not shielded by any of the MPRA age protections because she is younger than 75 on the effective date of the reduction. Her spouse’s benefit is also not shielded by these protections because the participant’s age is what matters if Helen is alive on January 1, 2021. If, at a later time, Helen dies before her spouse, the spouse’s survivor benefit will be based on Helen’s reduced amount.

• **Participant is deceased and spouse is younger than 75**: Emily chose a joint and survivor benefit when she retired and she later died at age 80 (before January 1, 2021). Her spouse, who will be 72 as of January 31, 2021, receives a monthly survivor benefit. Since Emily died before January 1, 2021, it is her spouse’s age that matters in determining the age protections. Thus, Emily’s spouse is not shielded by any of the MPRA age protections because her spouse will be younger than 75 on the effective date of the reduction.

• **Participant is deceased and spouse is 80**: Jerry was fully vested in his benefit under the Plan but died before retirement and before January 1, 2021. His spouse, who will be 83 as of January 31, 2021, now receives a monthly survivor benefit. Since Jerry died before January 1, 2021, it is his spouse’s age that matters in determining the age protections. Thus, his spouse’s benefit is fully protected from the benefit reduction because his spouse will be over 80 on the effective date of the reduction.

**Disability Benefit Protections**

Retirees receiving a Disability Pension Benefit from the Plan on or before the effective date of the reduction (January 1, 2021) cannot have that benefit reduced under MPRA. However, only the disability portion of the benefit is protected. For example, if a retiree is receiving a Disability Pension Benefit and then earns a Re-Retirement Benefit, the disability portion is protected but the Re-Retirement portion could be reduced. (Those who begin their pension benefit before age 65 but then earn contributions before reaching age 65 may earn “Re-retirement Benefits.”)

Under MPRA, this protection applies only to retirees who receive a Disability Pension Benefit from the Plan. The beneficiary or spouse (technically known as a joint annuitant) of a deceased retiree who had been receiving a Disability Pension Benefit can have his or her benefit reduced.

Receiving a disability benefit from the Social Security Administration plays no role in this protection. What matters is whether a participant was determined to be totally disabled under the Plan and approved for a Disability Pension Benefit at the time he or she started their pension.

**Maximum Benefit Reduction Under MPRA**
No participant’s benefit can be reduced below 110% of what the PBGC is supposed to pay if the Plan ran out of money. A recent issue of *Pension Fund Notes* explained how the amount of this PBGC-guaranteed benefit is calculated.

For example, if your monthly benefit is $600 and you have 30 years of service, your PBGC guarantee is $532.50 a month. That means your benefit cannot be reduced below $585.75 per month under MPRA ($532.50 x 110%). If you are between 75 and 80 as of January 31, 2021, the reduction would be even less, as described above. If your benefit is already below 110% of your PBGC-guaranteed amount, then you are fully protected and your benefit cannot be reduced at all under MPRA.

Because of this MPRA protection, if your benefit is decreased under the proposed benefit reduction, it will still be higher than the amount you would get if the Plan became insolvent and the PBGC stepped in to pay guaranteed benefits.

*Participants can find answers to questions about a variety of topics on the FAQ page of the Plan website at www.AFM-EPF.org.*