Central States
Pension Fund

# Withdrawal Liability for New Employers to Central States

## Hybrid Plan Provides Employers “Peace of Mind” on Withdrawal Liability

# What is Withdrawal Liability?

The Multiemployer Pension Plan Amendments Act of 1980 (MPPAA) is the statute that amended Employee Retirement Income Security Act (ERISA) and implemented withdrawal liability. Central States Pension Fund is a multi-employer pension plan in which the Fund has nearly 1,000 participating employers that contribute to the Pension Fund pursuant to collective bargaining contracts between an employer and a union associated with the International Brotherhood of Teamsters.

MPPAA was enacted to protect multiemployer pension plans and their participants from employers terminating participation in less than fully funded plans, leaving the remaining contributing employers with the obligation to fund the participants' vested benefits.

Generally, withdrawal liability applies to defined benefit pension plans that are underfunded. A plan is underfunded when the actuarial value of the vested benefits – the promised future benefits accrued by participants – exceeds the value of the plan's assets. When that occurs, MPPAA required plan trustees to collect "withdrawal liability" from employers whose operations or obligation to contribute terminated.

However, in 2011, Central States Pension Fund introduced the New Employer Pool, that is commonly referred to as the Hybrid Plan. As of 2023, the Hybrid Plan is estimated to be over 140% funded. New Employers joining the Pension Fund who qualify for having withdrawal liability determined under the Hybrid Plan, **have no withdrawal liability at present, and are not expected to have withdrawal liability in the future**.

# 2011...Central States Establishes Hybrid Plan

## History

In 2011, Central States Pension Fund introduced the New Employer Pool, that is commonly referred to as the Hybrid Plan.

While the Hybrid Plan was initially established to provide existing employer participants an option to resolve their contingent withdrawal liability while also maintaining continued participation in Central States Pension Fund, it also serves as further peace of mind for those employers that are just beginning their participation.

Under the Hybrid Plan, new employers joining Central States will have their withdrawal liability measured based upon the “direct attribution” method.

## Peace of Mind

For the purpose of computing potential withdrawal liability, while the Central States Pension Fund is funded 95% overall, the new employer pool under the Hybrid Plan is estimated to be over 140% funded in 2023.

**What does this mean for new employers?**

Rather than being assigned a pro-rata share of the underfunded liability of the legacy employers, a new employer in the Hybrid Plan will have potential withdrawal liability determined based on any shortfall between the contributions the employer has made on behalf of their employees and the pension benefits directly attributable to the employees’ service with the employer.

Because contributions fully-fund new benefit accruals and Pension Fund assets are invested conservatively, an employer can have confidence in the Hybrid Plan staying fully funded.

*In 2023, the New Employer Pool—also known as the Hybrid Plan, is estimated to be over 140% funded, and is expected to never have withdrawal liability in the future.*

## Questions?

New Employers with questions on withdrawal liability can submit those to the Fund:

- Email to WL@centralstatesfunds.org or
- Call Pete Priede at 847-232-5700.

Annually, an employer may obtain confirmation of any withdrawal liability by submitting a written request to:

Central States Pension Fund
Hybrid Plan Employer
8647 W. Higgins Road
Chicago, IL 60631


**MyCentralStatesPension.org** has helpful resources such as:

- How-to guides
- Frequently asked questions
- Forms and documents
- A secure Message Center
- ...and more!

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