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Seventh Circuit Affirms that Employer's Withdrawal Liability Cannot Be Based on Post-Rehabilitation Plan Contribution Increases

Employee Benefits & Executive Compensation on **May 12, 2025**

We recently reported on a district court decision holding that the Central States Pension Fund's calculation of withdrawal liability should not have included contribution rate increases imposed after the Fund's implementation of a rehabilitation plan. In *Central States, S.E. & S.W. Pension Fund v. Event Media Inc.*, Nos. 24-1739 & 1740-42, 2025 WL 1185368 (7th Cir. Apr. 24, 2025), the Seventh Circuit affirmed two prior district court rulings that had reached the same conclusion.

The Multiemployer Pension Reform Act of 2014 ("MPRA") requires rate increases to be excluded from the withdrawal liability calculation unless the increases satisfy one of two statutory exceptions. The parties agreed that the first exception (pertaining to increases due to increased levels of work, employment, or compensation) did not apply, and the Seventh Circuit affirmed that the plan could not satisfy the second exception. The second exception applies if: (i) the plan is amended to increase benefits, and (ii) the plan's actuary certifies that the increase will be paid for out of contribution rate increases not contemplated by the rehabilitation plan. The court held that the plan could not satisfy either requirement because the increase in benefits predated the rehabilitation plan, and even if it did not, there was no actuarial certification that the benefits would be paid using the increased contributions or that those increases were not contemplated by the rehabilitation plan. In so ruling, the court rejected the plan's urging to interpret the exceptions to effectuate the purposes underlying MPRA, concluding that the statutory text was unambiguous, and such policy considerations were left to Congress.

Proskauer's Perspective

Employers have been challenging the Central States Pension Fund's efforts to include post-2014 contribution rate increases in its withdrawal liability calculations for several years. Barring a subsequent appeal and reversal, the Seventh Circuit's decision stands to conclusively resolve those cases, and provide interpretive guidance for other plans administered in the Seventh Circuit. Regardless of location, employers that contribute to or have withdrawn from plans that have adopted funding improvement or rehabilitation plans should closely review their withdrawal liability assessment to determine whether rate increases are being excluded in accordance with MPRA.

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