January 13, 2014

The Honorable John A. Boehner, Speaker of the House
The Honorable Nancy Pelosi, Minority Leader
Members of the House Committee on Ways & Means
Members of the House Education & the Workforce Committee

**RE: Please support the *Solutions Not Bailouts* multiemployer pension plan reform proposal sponsored by the National Coordinating Committee for Multiemployer Plans (NCCMP) and by national labor and management organizations.**

Dear Representatives:

We are joining together as representatives of labor and management to ask for your strong support of the multiemployer pension plan proposal that has been developed by the Retirement Security Review Commission of the National Coordination Committee for Multiemployer Plans. Their proposal is known as ***Solutions Not Bailouts (SNB).*** It will significantly benefit both the 325,000 skilled craft men and women in the United Association of Plumbers and Pipefitters (UA) and the 2,800 employers that belong to the Mechanical Contractors Association (MCAA) by making the retirement plans in our industry more secure. This will be done without a government handout. It will be done by labor and management working out solutions together through bargaining and through cooperation at the pension fund level.

The UA and the MCAA together, both nationally and in local collective bargaining, sponsor more multiemployer defined benefit pension plans than any other trade in the construction industry—150 multiemployer defined benefit plans, covering 429,000 participants and their families, with at least $25.5 billion in assets nationwide. We are jointly committed to saving and strengthening multiemployer defined benefit plans, in accordance with SNB, because these plans provide well-earned retirement security to our members/employees. And, it is our members/employees who are the backbone of our industry. They make America strong by working hard at a skilled trade during their careers, and they deserve retirement with dignity.

SNB is sound, fair, balanced and judicious. It was developed and agreed to by a wide array of labor and management groups representing all of the industries in which multiemployer defined benefit plans provide retirement security. SNB was crafted in detail by a host of our nation's leading multiemployer plan experts across all retirement plan disciplines—actuaries, attorneys, plan administrators, and labor and management negotiations representatives.

SNB represents a careful balance of the interests of business and plan participants and their families. The goal of the reforms proposed in SNB is to preserve and strengthen the high-quality



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retirement benefits that labor and management have developed in the multiemployer defined benefit plan system.

SNB would not require changes to plans or to benefits. This point is either missed or ignored by opponents of the proposal. SNB would provide multiemployer defined benefit pension plans with additional tools to be used as determined by individual plans in strictly limited circumstances to meet the particular needs of individual plans. The SNB proposals fall into three categories: (1) those proposals that will preserve and strengthen the current system; (2) innovative proposals for alternative plan design structures; and (3) measures designed to help deeply troubled plans.

Proposals to preserve and strengthen the current system include technical changes to the Internal Revenue Code intended to clarify various aspects of the Pension Protection Act (PPA) and to make the process for plans in critical and endangered status more workable.

SNB would also allow trustees and bargaining parties, if they so choose, to fundamentally rebalance the risks in pension funding and put the plans on more solid footing going forward with innovative benefit plan designs. This offers the real prospect of plan expansion and positive demographic trends. The new plan designs would retain the lifetime income feature of defined benefit plans for participants and their beneficiaries, with pooled assets, the generally higher returns from professional asset management, and pooled longevity risks, so no participant has to fear outliving their retirement savings. At the same time, the SNB proposal would allow for a significant rebalancing of the risk of funding for sponsoring employers because the proposal would permit adjustment of some benefits under specified circumstances.

The two examples discussed in the SNB proposal were not meant to be exclusive. The proposal recommends that innovative designs should be permitted with greater ability to adjust benefits to reflect the investment markets so long as such designs provide for a guaranteed core lifetime income and protect vulnerable populations. A more conservative funding target will make it less likely that benefits would be adjusted. The fact that these designs minimize or eliminate withdrawal liability for the benefits accrued prospectively will encourage continued participation by current employers as well as the participation of new employers.

These innovative designs will help stem the tide of withdrawals from defined benefit plans, and the trend toward defined contribution plans, by providing a program with the lifetime benefit features but without the withdrawal liability that has already caused so many employers to leave the system. Continued and new participation in the "new" portion of a plan will help support and fund a plan's legacy liability.

We are aware of the vocal opposition to the measures proposed to save deeply troubled plans and particularly the proposal to permit some plans to reduce benefits to retirees. These steps were not



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taken lightly. It was only after considering all of the alternatives that these measures were proposed. The opponents do not offer alternative solutions.

We want to emphasize several points:

1. The measures for deeply troubled plans are not mandatory and are available to plans only after they have tried all other reasonable measures;
2. A plan may reduce benefits only if the plan is projected to become insolvent within a specified time period and only if and to the extent necessary for the plan to avoid insolvency;
3. Benefits may be reduced only to a level that is 110% of the benefit participants would receive under the PBGC guarantee;
4. SNB includes an approval process for benefit reductions which is proposed to be by application to PBGC.

We understand from various publically available reports that currently insolvent multiemployer plans and multiemployer plans projected to become insolvent within the foreseeable future will exhaust the PBGC multiemployer fund. Therefore, absent some alternative not yet proposed or a taxpayer bailout, which we understand is highly unlikely, benefits of participants in deeply troubled plans (that are not able to save themselves because tools such as those proposed in SNB are not available) will eventually stop because the PBGC will have no funds to pay benefits. Opponents of the SNB proposal do not address this problem and do not explain what will happen to those participants when their plans become insolvent and there are no funds available from the PBGC to pay their benefits. Permitting troubled plans to reduce benefits is a better solution than the complete loss of benefits that appears to be the future for participants of insolvent or soon to be insolvent plans.

Please join us in supporting the SNB proposal. Despite the opposition of some who do so without offering a constructive alternative, we ask you to focus on the balanced merits of the proposal designed to address the challenges facing multiemployer plans by giving the plans the new tools they need to ensure the long term viability of their plans for their participants and beneficiaries and their sponsoring employers.

Sincerely,

William P. Hite

William P. Hite, General President
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