



January 22, 2014

Sent to the Chairmen and Ranking Members with copies to all members of:

U.S. Senate Health, Education, Labor and Pensions Committee

U.S. Senate Finance Committee

U.S. House of Representatives Education and Workforce Committee

U.S. House of Representatives Ways and Means Committee

Washington, DC

Re: We support the *Solutions Not Bailouts* multiemployer pension plan reform legislation

Dear Chairman and Ranking Member:

The International Association of Sheet Metal, Air, Rail and Transportation Workers (SMART)ⁱ and the Sheet Metal and Air Conditioning Contractors' National Association (SMACNA)ⁱⁱ urge Congress to end the crisis of confidence facing multiemployer pension plans because of the pressing need for comprehensive pension reform. For over 18 months, SMACNA and SMART collaborated with more than 40 labor and business leaders in the Retirement Security Review Commission. The Commission's specific and concrete recommendations – *Solutions not Bailouts* - if enacted, will strengthen retirement security. For the specifics, please review “Solutions Not Bailouts: A Comprehensive Plan from Business and Labor to Safeguard Multiemployer Retirement Security, Protect Taxpayers and Spur Economic Growth” at <http://www.solutionsnotbailouts.com/>.

Our union members and our employers live and work in every state and territory of this nation. Like over 10 million other working class Americans, 216,000 SMART members, retirees and beneficiaries rely on multiemployer plans for retirement security. SMACNA's over 4,500 contractors are major stakeholders in multiemployer plans across the country.

In the sheet metal and transportation industry, many of our plans have successfully addressed funding challenges because labor and management worked together using the tools under the Pension Protection Act of 2006 (“PPA”). But for other plans and for the long-term future of the multiemployer system, PPA is not enough; the enactment of *Solutions not Bailouts* proposals is critical.

Plans in other industries face imminent insolvency. The failure of one plan, even in a seemingly unrelated industry, could have a ripple effect across the system. Not only pension plans can fail; higher contribution demands or increasing shares of unfunded vested benefits may pull down the employers that remain in the plans. Unfunded liabilities create too much uncertainty in financing and bonding.

Further, *Solutions not Bailouts* can do more than strengthen retirement security; it can address the Pension Benefit Guaranty Corporation's (PBGC) crisis. The PBGC lacks the full faith and credit of the federal government and faces insolvency in the not-so-distant future. As you know, the PBGC provides a limited backstop to insolvent plans and only “guarantees” benefits at a relatively low level.

Most opponents of *Solutions not Bailouts* fear the provisions to save the benefits of participants in deeply troubled plans. For those plans, the recommendations would allow workers and retirees to maintain benefits above the PBGC guaranteed amount rather than the current law, which “guarantees” a lower benefit if, and only if, the PBGC has the assets. The PBGC faces a very significant funding shortfall – in excess of eight billion dollars as of September 30, 2013. PBGC cannot meet its obligations to plans facing insolvency without billions in additional funding, or what some might call a “**bail-out**.” We are realists concerning the prospects of additional funding.

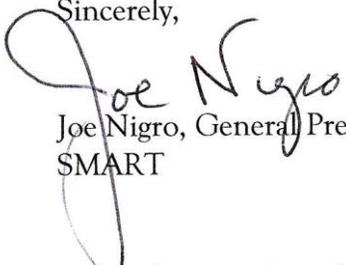
We respect the views of those who say ERISA’s bedrock principle is the preservation of accrued benefits. That protection is an illusion once a plan is insolvent; accrued benefits will be reduced. Moreover, if PBGC is insolvent, its guarantee is not truly a “**guarantee**.”

The *Solutions not Bailouts* proposal would allow joint labor/management boards of trustees’ limited authority to act before it is too late so that workers and retirees receive more than the PBGC “guarantee.” These last-resort suspensions, under PBGC supervision, would provide, at a minimum, 110% of PBGC guaranteed benefits and would **be no larger than necessary to prevent insolvency**. Plans facing imminent insolvency could only use the tools if the joint labor-management boards of trustees so decide. Neither labor nor management could force the use of these tools. Labor and management trustees would need to agree to these tools as a last resort to save a plan. In addition, the **PBGC would need to approve** any reduction of benefits.

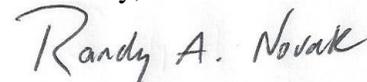
Solutions not Bailouts also proposes encouraging **voluntary innovative new plan designs** for secure lifetime retirement income. The voluntary adoption of flexible plan designs would be the subject of collective bargaining. These plans could include, but would not be limited to, variable annuity and “Target Benefit” plans, which would permit adjustment of accrued benefits. However, to protect participants from the risks of benefit adjustments, these models would impose greater funding discipline than is required under current defined benefit rules. New designs, and reforms for existing plans, can help insulate contributing employers from financial volatility.

We respectfully urge Congress to move promptly to enact the *Solutions not Bailouts* plan which will also extend the important tools PPA already provides. The private sector has supported these plans for decades and can continue to do so by extending and amending the PPA. Thousands of participants, their families and employers will appreciate your support in this endeavor.

Sincerely,


Joe Nigro, General President
SMART

Sincerely,


Randy Novak, President
SMACNA

ⁱ **SMART** was formed with the merger of the United Transportation Union and the Sheet Metal Workers' International Association. The Union's history extends back over 125 years. It is an international labor union, with 216,000 members in the AFL-CIO and the Canadian Labour Congress, providing policy direction and program support on behalf of its membership in maintaining the union's jurisdiction over various types of work in the United States, Canada and Puerto Rico. Sheet metal members perform work in the building and construction trades, in production manufacturing, railroad shops, and shipyards. Transportation members are employed in railroad, bus, transit and airline operations.

ⁱⁱ **SMACNA** was founded in 1943 and is supported by more than 4,500 construction firms engaged in industrial, commercial, residential, architectural and specialty sheet metal and air conditioning construction in public and private markets throughout the United States. SMACNA contractors specialize in heating, ventilating and air conditioning; architectural sheet metal; industrial sheet metal; kitchen equipment; specialty stainless steel work; manufacturing; siding and decking; testing and balancing; service; and energy management and maintenance. SMACNA has 103 national and international chapters.