

The Partnership For Multiemployer Retirement Security *A Business And Labor Initiative*

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House Education and the Workforce Committee
Subcommittee on Health, Employment, Labor, and Pensions
United States House of Representatives
2181 Rayburn House Office Building
Washington, D.C. 20515

Dear Members of the Subcommittee,

Today, we find ourselves at a crossroads. As members of the Partnership for Multiemployer Retirement Security we speak for both labor and business when we say that there is urgent need to reform our multiemployer pension system.

Already, a small but significant percentage of the approximately 1,350 multiemployer plans face the risk of insolvency – due primarily to the Great Recession and resulting slow economic recovery. There are multiemployer plans in all 50 states, playing a vital role in the daily lives and retirements of more than 10 million workers and employers.

The recent [Congressional Budget Office \(CBO\) baseline projections](#) for the Pension Benefit Guaranty Corporation (PBGC) highlights further threats facing this universe of retirees, active participants and their employers. These projections make real for more than a million participants in at-risk multiemployer plans the possibility of seeing their pensions reduced by 90 or 95 percent depending on when they retire.

The CBO's report on the PBGC's multiemployer guaranty fund underscores the need for immediate action. CBO calculates that the PBGC's multiemployer fund could be exhausted within the decade, and that catastrophic reductions to financial assistance would immediately follow. The baseline projections predict that by 2021, the PBGC "will reduce financial assistance to a level that could be supported with premium income."

Translation: some multiemployer participants are at risk of losing nearly all their benefits unless something happens – and soon.

What does this mean for retirees now and in the future? Even under a well-funded PBGC, current law requires multiemployer plan trustees to reduce benefits dramatically and automatically. The Government Accountability Office (GAO) [analysis](#) shows that in the case of an insolvent PBGC, retirees would see their hard-earned benefits cut to as little as \$125 per month – light years from what they planned for and a far cry from even the minimal assistance PBGC currently provides to insolvent multiemployer funds (slightly more than \$1,000/month for workers with 30 years of service) while the PBGC is healthy. Furthermore, the current law doesn't distinguish between participants who have already retired, or are yet to retire.

That's why doing nothing is not an option, and why our Partnership was formed. To help multiemployer plans preserve benefits for workers to the greatest extent possible and,

importantly, to help plan trustees and participants shape their own future – without depending on a shaky PBGC or a government bailout that is unlikely.

The reforms we support are outlined in a report entitled “Solutions Not Bailouts” which is currently the only proposed solution that takes steps to prevent these catastrophes and the only solution supported by a coalition of both business and labor. It was developed by a broad cross-section of union and management representatives and other stakeholders from more than 40 organizations across the multiemployer community. The proposal was the result of 18 months of studying plans, their challenges and ways to preserve regular, monthly retirement income.

Adoption of the recommendations put forth in Solutions Not Bailouts will make it possible that multiemployer plans don’t have to bet everything on a government insurance program which is itself at risk. The recommendations are designed to make healthy plans stronger and save distressed plans from insolvency by giving trustees the tools to prevent catastrophic benefit reductions required under current law and ensure many plans' long-term survival for both current and future generations of retirees. The toolkit for plans facing insolvency is just one of three broad categories of recommendations put forth to strengthen, preserve and grow these vital plans for all generations of retirees.

The fact is, under the Solutions Not Bailouts reforms, current and future retirees would fare much better than they would under existing law. We urge your committee to take action and provide solutions for the millions of multiemployer participants before it becomes a crisis. Our recommendations provide measured, economically sound, “self-help solutions” because we believe that we can help ourselves before it’s too late, if we are given the flexibility to find workable solutions tailored to the economic realities facing each pension plan. As the CBO’s recent projections highlight, doing nothing will ensure future retirees will have nothing for retirement.

The last thing anyone wants is for pension benefits that have been negotiated; for which wage increases were foregone; and on which elderly workers depend for survival - to be reduced. Nevertheless, the reality is that without prompt Congressional action, hundreds of thousands of participants in insolvent plans are certain to have their benefits reduced dramatically. And in less than a decade, those reductions could be even more catastrophic.

We are encouraged by the Committee’s continued attention to this matter and appreciate the many dedicated years of service that your members have given to protecting our retirement system. We stand ready to work with you as you take up this critical issue in the coming weeks.

Sincerely,

The Partnership for Multiemployer Retirement Security

Associated General Contractors of America
Association of Food and Dairy Retailers, Wholesalers and Manufacturers
Association of the Wall and Ceiling Industry

Bechtel Corporation
Bituminous Coal Operators Association
Central States Funds
Cultural Institutions Retirement System
Eastern Contractors Association, Inc.
Finishing Contractor Association
Fluor Corporation
Great Lakes Fabricators & Erectors Association
International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers
International Association of Heat and Frost Insulators and Allied Workers
International Association of Sheet Metal, Air, Rail and Transportation (SMART) Workers
International Brotherhood of Electrical Workers
International Council of Employers Of Bricklayers and Allied Craftworkers
International Union of Bricklayers and Allied Craftworkers
International Union of Bricklayers and Allied Craftworkers Local 3, New York
International Union of Operating Engineers
International Union of Painters and Allied Trades
Laborers International Union of North America
Mason Contractors Association of St. Louis
Mechanical Contractors Association of America
National Electrical Contractors Association
Operative Plasterers' and Cement Masons' International Association
The Association of Union Constructors (TAUC)
The Broadway League Inc.
Trebour Consulting Services
United Association of Journeymen and Apprentices of the Plumbing & Pipefitting Industry of
the U.S., Canada and Australia
United Brotherhood of Carpenters
United Food and Commercial Workers International Union
United Parcel Service
United Union of Roofers, Waterproofers and Allied Workers