



## Provide Relief for Multiemployer Defined Benefit Pension Plans

### Issue Background:

The nation's multiemployer defined benefit pension plans have provided a secure retirement to America's working families for generations. Since 1946, NECA contractors have contributed to the National Electrical Benefit Fund (NEBF), a viable pension plan which benefits participants, retirees and surviving spouses. This successful and well-managed plan is the third largest Taft-Hartley Pension Plan in the United States. It serves over 502,000 participating individuals, with 119,120 of those individuals receiving either a retirement or surviving spouse benefit. The Plan has over 8,000 contributing employers, resulting in approximately 370,000,000 hours worked annually in covered employment. In 2010, NECA companies contributed approximately \$370 million to the National Electrical Benefit Funds (NEBF) with total assets over \$11 billion. This total does not include contributions to local pension plans whose aggregate value is in excess of \$15 billion.

At a time when competitive forces require electrical contractors to be flexible in costs and crew structure, the costly contributions associated with multiemployer plans have the potential to have a serious negative impact on our industry if comprehensive reform is not enacted. Two years ago, NECA and more than forty labor and management stakeholders partnered up with the National Coordinating Committee for Multiemployer Plans (NCCMP) to form the Retirement Security Review Commission. The Commission's goal was to create a proposal that presents solutions that will ensure multiemployer pension plans can continue to provide a reliable retirement benefit to millions of Americans while enabling the employers who fund them to remain strong contributors to the national economy. The proposal offers recommendations that address the deeply troubled plans heading toward insolvency, includes technical provisions that will improve the current system and offer a new flexible plan design option aimed to reduce employers risk and eliminate withdrawal liabilities.

### Key Points:

- *Strengthen the Current Funding Rules to the Pension Protection Act of 2006 (PPA).* While the PPA provided some relief to multiemployer pension plans and helped companies recover losses incurred as a result of the financial crisis, NECA believes that further changes to the PPA are necessary to improve the health and viability of these plans. The Commission has offered an array of technical provisions that will improve the current system by providing flexible rules to allow trustees of plans facing financial instability to adapt to changing economic and market conditions as they occur.
- *Provide Relief to Deeply Troubled Plans Heading Toward Insolvency.* Severely troubled plans that are projected to become insolvent need more tools to prevent the plans from exposure of the Pension Guarantee Benefit Corporation's (PBGC). Under the PPA, plan trustees were granted the authority to temporarily reduce benefits for active participants. Unfortunately, there remain plans where those suspensions were not enough to avoid insolvency. In these exceptional circumstances, these additional tools will grant plan trustees additional authority to take appropriate measures to partially suspend accrued benefits for active and inactive vested participants. Such suspensions would be limited to the amount of time essential to prevent the plan from insolvency; the benefits could never go below 110 percent of the PBGC guaranteed amounts.

- *Create New Flexible Plan Designs.* A transient workforce, an aging population, and a weak economy have led to unsustainable pension contributions and unfunded withdrawal liabilities that continue to put a strain on contributing employers. These growing concerns led the Commission to recommend two new plan designs. Both of the new plan designs are distinguished from a traditional defined benefit plan because they have shared risk amongst the employer and the employee and they significantly reduce an employer's exposure to withdrawal liability.
- *Solutions Not Bailouts: Revenue Neutral and Not Mandatory.* All multiemployer pension plans are the product of collective bargaining agreements. The proposed recommendations put forward by the Commission will not mandate plan trustees to adopt these changes. Rather, they will provide the tools to provide relief to multiemployer pension plans that have existing funding liabilities. If enacted as proposed, these legislative changes will be revenue neutral, American taxpayers will not bear the cost of the plan, and multiemployer pension plans will continue to provide financial security to retirees nationwide.

#### NECA Position:

Enacting these recommendations would honor the collective bargaining process, maintain the viability of contributing employers, remove barriers to new construction employers willing to participate in multiemployer pension plans, secure meaningful retirement benefits for workers, and protect the taxpayers and workers from a possible and avoidable financial collapse of the current system.