



Authorize Innovative Composite Plans to Modernize the Multiemployer Pension Plan System

Background:

- The composite plan design combines the key features of defined benefit and defined contribution plans. Like a traditional pension, composite plans provide workers with lifetime income and are designed to be more financially stable over the long-term.
- 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 plan serves over 502,000 participating individuals and has over 8,000 contributing employers, making it the fourth largest Taft-Hartley Pension Plan in the United States. In addition to NEBF, NECA contractors contribute to 123 local pension plans covering over 800,000 participants and beneficiaries in the construction industry, with total assets of roughly \$30 billion.

Key Points:

- *Composite Plans Are Voluntary.* Participation in composite plans is voluntary and would be subject to the collective bargaining process. This design is an alternative to the 401(k)/defined contribution plans that are increasingly proposed for adoption when an employer can no longer assume the financial responsibilities of a defined benefit plan.
- *Composite Plans Will Provide Secure Lifetime Retirement Income for Participants.* Unlike a 401(k), composite plans provide a lifetime benefit to workers through an annuity. By overfunding these plans at a target funded rate (assets over liabilities) of 120 percent, this structure can grant peace of mind to workers who have seen the devastating effects of the 2008 financial crisis. In fact, the proposed composite plan design has been stress tested against a crisis of this magnitude and was shown to remain sufficiently funded.
- *There is No Withdrawal Liability for Composite Plans.* By requiring the overfunding of plans, and other securities, composite plans give employers greater certainty that they will not be driven out of business due to increasing costs or unexpected penalties as a result of their participation in the multiemployer system and the so called 'last man standing rule'. Withdrawal liability in the defined benefit plan is unchanged.
- *Composite Plans are the future of the Multiemployer Pension System.* Composite plans can only be utilized by plans who are in the "green zone." Because of this, they are not being offered as a solution for current failing plans. However, due to changing demographics, volatile markets, and a consolidated employer network, they should be viewed as a tool necessary for preparing the multiemployer system for its next generation of retirees entering into the 85 percent of healthy plans.

NECA Asks:

- Congress must act and authorize the use of the composite plan model to modernize the multiemployer pension system.