Authorize Innovative New Plan Designs for Multiemployer Pension Plans

Summary:

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 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:

- **New Plan Designs Are Voluntary and Will Provide Secure Lifetime Retirement Income for Participants.** The adoption of flexible plan designs would be voluntary and subject to the collective bargaining process. No current defined benefit plan would be required to adopt any of these provisions. In addition, when the collective bargaining process produces a decision to convert from a traditional defined benefit plan to a new plan design, the new plan design provisions would apply prospectively only. All of the current funding rules, benefit protections, zone status provisions, and withdrawal liability requirements, would continue to apply to the benefits earned in the traditional defined benefit plan up to the point of conversion.

- **New Flexible Plan Designs Are Needed to Secure the Viability of the Multiemployer Retirement System.** 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. New plan designs, including, but not be limited to, variable annuity and “Target Benefit” plans, which would permit adjustment of accrued benefits. Both of these options would share risk amongst the employer and the employee and significantly reduce an employer’s exposure to withdrawal liability.

- **Reform Will Keep Participating Employers in the Multiemployer System.** Changing economic realities and reduced credit opportunities resulting from widespread confusion in the financial community over withdrawal liability are placing additional obstacles in the path of some existing contributing employers to continue their participation and further reducing the ability of funds to attract new employers. Facing growing risks, employers are forced to consider paying their withdrawal liability, cutting special deals or in some cases even bankruptcy, to exit the system. This harms retirees receiving benefits, saddles other participating employers with a larger financial burden, and weakens the system overall. New and innovative plan designs will limit the financial risk for the employers while providing effective benefit protections for plan participants.