April 16, 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: Please support the ***Solutions Not Bailouts*** multiemployer pension plan reform proposal

Dear Representative:

The Association of Union Constructors (TAUC) and the International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers have joined together as representatives of labor and management to urge Congress to support the multiemployer pension plan proposal that has been developed by the Retirement Security Review Commission of the National Coordinating Committee for Multiemployer Plans (NCCMP). This proposal is known as ***Solutions Not Bailouts***, and it will significantly benefit both the 100,000 skilled men and women in the Iron Workers and the 2,100 employers that belong to TAUC by making the retirement plans in our industry more secure. This will be done without a government handout. It will be accomplished by labor and management working out solutions together through collective bargaining and cooperation at the pension fund management level.

If left unresolved, or if the relief comes too late, the crisis facing multiemployer pension plans will be devastating not only to our members, employees and retirees, but potentially harmful to many others, including the nation's entire pension retirement system.

Absent the reforms outlined in the ***Solutions Not Bailouts*** proposal, it is an absolute certainty under current law that many deeply troubled plans will become insolvent and benefits received by both current and future retirees will be reduced – at best, to the level guaranteed by the Pension Benefit Guaranty Corporation (PBGC).

Even under the most optimistic scenario, benefits for retirees would be drastically reduced. For instance a retiree with 30 years of service would see their pension reduced to a mere $12,870 annually. Unfortunately, , the PBGC already faces a very significant funding shortfall – in excess of eight billion dollars as of September 30, 2013 which calls into question its ability to provide the statutorily guaranteed benefits. In order for the PBGC to fulfill its legal obligations should these plans become insolvent, it

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would require billions of dollars in additional funding from Congress, or through crushingly high increases in the PBGC premium structure. Should Congress choose not to increase funding for the PBGC, Government Accountability Office Director Charles Jeszeck testified that the PBGC would be forced to pay benefits from the cash flow produced by premium payments – thereby reducing the maximum monthly benefit to below $125. That is not an acceptable solution for anyone involved.

Since the passage of the bipartisan Pension Protection Act (PPA) in 2006, TAUC and the Iron Workers have worked together to improve the status of many multiemployer pension plans. This has meant significant increases in pension contributions, reductions to the retirement accruals of future retirees (today's active employees), and the consolidation of some plans. These aggressive actions taken jointly by labor and management have helped place many plans on the path to long-term sustainability. Undoubtedly, these actions have strengthened the retirement benefits of these plans' participants.

Yet, due to the unexpected financial collapse of 2008, a number of multiemployer pension plans still stand on the brink of financial collapse. These deeply troubled plans have exhausted the remedies available under current law, and without additional options, they will face insolvency in the relatively near future.

In an attempt to avert this crisis, labor and management from numerous industries worked together for approximately eighteen months to analyze all possible solutions and develop a consensus position. This joint labor-management effort led to a report issued in 2013 by the NCCMP, which TAUC and the Iron Workers fully support. The NCCMP Recommendations included in the proposal ***Solutions Not Bailouts*** offer a measured, fair, and viable solution to the difficult but necessary task of rescuing troubled plans from the path to insolvency.

The proposal's recommendations fall into three basic categories: (1) recommendations that will preserve and strengthen the current system; (2) measures designed specifically to help deeply troubled plans; and (3)innovative proposals for alternative plan design structures to address the structural deficiencies of the current system and enhance retirement security by expanding the current base of contributing employers.

Proposals to preserve and strengthen the current system include technical corrections to the PPA designed to strengthen the financial well-being of plans that have been able to regain "green zone" status and facilitate the more financially challenged plans to access the tools of the PPA. Measures designed to help deeply troubled plans have been carefully constructed to enable plans that face impending insolvency to gain early access to statutory requirements that are imposed upon them by current law when they become insolvent – the reduction of accrued benefits - but only to the extent necessary to preserve solvency, with the net result of preserving such plans and preserving participants' benefits (usually substantially) above those which they will receive when the plans ultimately become insolvent. In doing so, the Commission recommended strong participant protections including the ability to protect vulnerable retirees and survivors (*e.g.* those of advanced age or are disabled) and requiring government approval of fund trustees' decisions to utilize such measures. Reducing benefits is not a tool the trustees could wield recklessly. In fact, labor and management trustees would need to agree that it is necessary in order to save the plan and the PBGC would need to approve any such plan to ensure that the interests of all plan participants were given equitable consideration.

Finally, the Commission proposes changes to the tax code to encourage the creation of innovative plan designs beyond the current defined benefit or defined contribution models, that will provide participants with the regular monthly income they have earned and come to expect from the defined benefit model, but will limit the contributing employers' residual liabilities currently provided by defined contribution plans by greatly reducing or completely eliminating withdrawal liability. This strategy offers the real prospect of plan expansion and positive demographic trends. One new plan design would retain the lifetime annuity income feature of defined benefit plans for participants and their beneficiaries so no participant has to fear outliving their retirement savings, along with pooled longevity risks; and the generally higher returns and lower fees obtained from trustee negotiated professional asset management.

While the elimination of withdrawal liability will shift the risk of asset performance to plan participants, the Commission's recommendations include significantly more conservative funding targets and other protections designed to make it less likely that benefits would require future adjustments. Also, the fact that these designs minimize or eliminate withdrawal liability for the benefits accrued prospectively will encourage continued participation by current employers as well as permitting the entry of new employers.

We understand from various publicly available reports that currently insolvent multiemployer plans, as well as multiemployer plans projected to become insolvent within the foreseeable future, will eventually exhaust the PBGC multiemployer fund and there will be no money to pay out benefits. The only ways to prevent this from happening are to either arrange for a taxpayer bailout (which we understand is highly unlikely) or reform the system by adopting the reasonable remedies outlined in *the* ***Solutions Not Bailouts*** proposal. This is the reality that opponents of reform fail to address, which is why they have not offered any constructive alternatives. Permitting the most troubled plans to reduce benefits is a better solution than the complete loss of benefits, which is where we are headed if action is not taken right away.

Please join us in supporting ***Solutions Not Bailouts***. We ask you to focus on the balanced merits of the proposal.

The NCCMP recommendations offer the most logical and least painful way forward. Providing labor and management trustees of deeply troubled plans with the needed flexibility to rescue the retirements of thousands of Americans is best for all parties concerned – retirees, workers, employers and taxpayers.

We appreciate your support and urge you to support legislation that will make the ***Solutions Not Bailouts*** proposal a reality. The website www.solutionsnotbailouts.com contains additional information that may be useful. Please contact us with any questions or concerns.

Sincerely,

Walter W. Wise

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Tom Felton

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