

TALKING POINTS – THE URGENT NEED FOR EMERGENCY FUNDING RELIEF FOR MULTIEMPLOYER PLANS

- 1,530 Multiemployer defined benefit plans currently provide benefits for 10 million participants
- Multiemployer plans are common in industries with mobile workforces, especially construction, trucking, retail food, health care, hotel and restaurant, and building services
- One in four private sector employees who have pensions are in a multiemployer plan
- These plans have provided retirement security to workers for over 60 years
- Mature plans depend more heavily on investment rather than contribution income (70% to 80%)
- When assets drop, the corresponding reduction in investment income can cause contribution income to double or triple
- The economic contraction from 2000 – 2002 would have triggered ERISA minimum funding rules that threatened employers, participants and plans by imposing excessive extra-contractual contributions and excise taxes
- The multiemployer provisions of the PPA were enacted to protect plans, participants and employers from those extra-contractual contributions and excise taxes
- The multiemployer provisions were designed and promoted by a large coalition of unions, employers and others to ensure funding for promised benefits is available when due – **an objective we still support**
- The 2008 market contraction (the second “once in a lifetime” market reduction in less than a decade) happened just as plans were beginning to recover from the first
- Plans had done the responsible thing before PPA became effective to lessen the impact of contribution increases and benefit cuts
- Despite early action to increase contributions and reduce benefits to lessen the magnitude of the actions required by the PPA, the 2008 market contraction caused an unprecedented drop in invested assets (20% or more) effectively preventing these early plans from having any chance of success
- Without remedial action, contribution increases to meet the PPA funding targets (double digit percentage increases each year, compounded) which translate to a doubling or tripling of the hourly contribution rate will, at best, make contributing employers non-competitive
- Non-competitive labor rates will eliminate jobs, reduce hourly employment and drive contributions even higher as the number of hours worked declines below what was assumed
- Proposed relief –
 - *Give trustees the option to temporarily freeze the 2008 zone certification for a period of up to three years;*
 - *Amend the technical rules by requiring actuaries to use the actuarial value of assets for making projections used in zone certifications; and temporarily widen the permissible corridor used for smoothing asset gains and losses from 20% to 30% of the market value of assets;*
 - *Lengthen the remedial periods for Funding Improvement and Rehabilitation plans from 10 to 15 years*
- Timing – The proposed relief must be adopted immediately, waiting until after the first of the year will require plan actuaries for calendar year (or later) plans to recertify under existing law, requiring faster recognition of losses that will result in irreversible and unnecessarily large contribution increases and benefit reductions.