National Coordinating Committee for Multiemployer Plans
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Submitted by e-mail to: cpc@moodys.com

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Mr. Gregory Jonas
Moody's Investor Services
99 Church Street
New York, NY 10007

Re: Moody's Proposed Analytical Approach for Sponsors of Multiemployer Pension Plans
Dear Mr. Jonas:

The National Coordinating Committee ("NCCMP") is pleased to submit comments on Moody's proposed analytical approach for taking into account employers' potential future contributions to multiemployer plans when rating those companies, as outlined in your January 2006 Request for Comments (the "Proposal").

The NCCMP is the only national organization devoted exclusively to protecting the interests of the approximately ten million workers, retirees, and their families who rely on multiemployer defined benefit pension plans for retirement benefits. Our purpose is to assure an environment in which multiemployer plans can continue their vital role in providing benefits to working men and women. The NCCMP is a nonprofit organization, with members, plans and plan sponsors in every major segment of the multiemployer plan universe, including in the airline, building and construction, entertainment, food production, distribution and retail sales, health care, hospitality, mining, maritime, industrial fabrication, service, textile, and trucking industries.

Relevance of Obligation to Multiemployer Plans to Employers' Creditworthiness

According to the Proposal, your tentative view is that companies that are required by their current collective bargaining agreements to contribute to multiemployer plans are likely to have an ongoing obligation to contribute roughly the same share of the plans' funding cost, at least until the plan becomes fully funded. From this, you suggest that an estimated stream of future payments to the plans should be counted as debt when Moody's decides on those employers' credit rating. The goal is to enable lenders to better assess the risks related to the financial future of the companies you rate.

The NCCMP believes that the Proposal's basic premise is wrong. No employer that contributes to a multiemployer plan owes anything more than what is specified in its collective bargaining agreement from time to time. The only exception is the almost unheard-of event of a minimum funding deficiency under ERISA – and Congress may well change even that, in the pending pension reform legislation.[1] Accordingly, we submit that there is no need to do any adjustment for going-concern changes, because changes in employer contribution rates only occur as part of the collective bargaining process.

The only issue related to an employer's multiemployer-plan participation that we see as relevant with respect to a lender is the potential for recovery if a liquidating insolvency in fact occurs. If the enterprise is liquidated, then there is a reasonable possibility that withdrawal liability will be triggered. In circumstances where incurring withdrawal liability is either probable or reasonably possible, generally accepted accounting principles already require sufficient disclosure with respect to withdrawal liability, so that further adjustments are inappropriate.[2]

Finally, as explained below, the proposed measurements are so inappropriate, so vague, so out-of-date, and so unrelated to the specific enterprise and its participation in a multiemployer plan as to raise serious doubts that they are sufficiently reliable to have a legitimate effect on any commercial transaction.

Based on the above, the NCCMP recommends that Moody's abandon any attempt to measure and take account of an employer's potential future contribution obligation to multiemployer plans in determining the company's creditworthiness.

Inadequacy of Proposed Measurement

As already stated, we do not believe that the so-called under-funding of multiemployer plans is relevant to Moody's rating system, except where withdrawal liability has been or very shortly will be imposed. Moreover, the publicly available plan information is not adequate to form the foundation for a rating adjustment. Among the shortcomings of the mechanism outlined in the Proposal to quantify future employer contributions to under funded multiemployer plans are:

[1] Both of the bills pending before the Congressional Conference Committee on pension reform, HR 2830 and S. 1783, would eliminate the minimum-funding excise tax and direct contribution obligation for employers contributing to a plan that is facing a funding deficiency in the short term (called a "critical-status plan," in the bills), if all of the parties responsible for the plan meet the new requirement to design and comply with a program to correct the plan's funding shortfall over a 10 - 15-year period. The House bill would allow plan trustees to cut existing benefits as an alternative to increased employer contributions.

[2] It would be misleading to treat withdrawal liability as a fixed debt for credit-rating purposes, as the amount is so fluid and amenable to change from year to year as the plan's funded status fluctuates, a particular company's share of the unfunded vested liability ebbs and flows, various liability limits come into play. Moreover, for employers in certain industries or under certain conditions, the very concept of a "withdrawal" can be sharply limited, thus further calling into question any attempt to tax an employer with its potential withdrawal liability for analytical purposes before that liability has been or is on the brink of being triggered.

- The arbitrary assignment to employers of 75% of future contribution increases is patently unreasonable. Most workers covered by multiemployer plans believe that they pay 100%, because that is what the employers will charge against their wage package, and seek to offset against pay, health insurance or other types of compensation.

- The Proposal would make an estimate of a plan's future funding demands – expressed as a multiple of the employer's current contributions – based on the average for plans in that sector. Yet industry averages shed no light whatsoever on the state of any given plan, since the overall picture can be distorted by the statistics for one or two very large plans. Even among plans covering people represented by the same International Union there is wide variation in funding status. Why pretend that Plan A is seriously under funded *or* seriously over funded, just because it is grouped and averaged together with Plan B in a different part of the country, covering different workers and funded by different employers?

- The outlined methodology presumes that the bargaining parties will need to increase employer contributions in order to deal with to plan under-funding. Yet in the most recent period the first response of the trustees of many plans has been to reduce future benefit accruals in an attempt to bring multiemployer-plan assets and liabilities into balance.

- By the time the actuarial information used to come up with the industry averages becomes readily available, it is stale.

Conclusion

For these reasons, we believe that Moody's should not base employers' credit standing on their contributions to multiemployer plans. Further, the factors proposed to be used to come up with the adjustments are not sufficiently related to an individual employer's commitments with regard to specific plans to support any meaningful analysis.

Please be in touch with any questions you may have, or for further information in this matter.

Sincerely,

Randy G. DeFrehn
Executive Director