NATIONAL COORDINATING COMMITTEE FOR MULTIEMPLOYER PLANS

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Solutions Not Bailouts: A Brief Summary of the NCCMP Retirement Security Review Commission Report

Background

Over the past two years, a partnership comprised of business and labor groups, the Retirement Security Review Commission (Commission), has worked tirelessly to craft a comprehensive private sector solution to safeguard retirement security for multiemployer plan participants that protects taxpayers and spurs economic growth. These private sector recommendations do not include any taxpayer bailouts and will improve the financial health of both multiemployer plans and the employers who fund them.

The Commission, which included over 40 organizations representing the business and labor sides of the table and spanning every industry that relies on multiemployer plans as a primary vehicle for providing retirement income security to employees, studied the challenges facing the multiemployer pension system and designed a series of recommendations for reform that not only safeguard retirement security, but specifically address the challenges facing multiemployer plans that the PBGC and other agencies have identified.

Specifically, these proposals include measures that will strengthen and enhance the current multiemployer system, address the minority of multiemployer plans that are deeply troubled, and facilitate new and innovative plan designs that will better enable bargaining parties to adopt future plans tailored to their unique circumstances. Taken together, these provisions will improve the retirement security of plan participants, enhance the ability of plans to retain contributing employers by limiting financial volatility, and help to prevent the need for future taxpayer assistance.

Two primary objectives governed the Commission's work:

- Changes to the existing system must still provide regular and reliable lifetime retirement income to multiemployer plan participants; and
- Changes to the existing system must be structured to reduce or eliminate the financial risks to contributing employers.

Commission Process, Report Summary and Recommendations

A series of contributing factors have created the current challenges threatening the security of multiemployer plans. The recent economic downturn has exacerbated the cumulative effects of three decades of statutory and regulatory changes. This is further compounded by the addition of broader financial reporting requirements, tightening credit markets, and unprecedented competitive pressures on contributing employers, leading to an environment of decreased long-term viability of many plans as new employers are discouraged from participating and existing employers are encouraged to withdraw. It is within this context, paired with the impending sunset of the multiemployer funding provisions of the Pension Protection Act of 2006 (PPA) scheduled for the end of 2014 and the need for fundamental restructuring of some basic precepts of ERISA, that the Commission presents its recommendations.

The three primary areas of the Commission's recommended action can be summarized as follows:

1. **Preservation**: **Proposals to Strengthen the Current System**. Some of these proposals represent technical refinements to PPA, while others address shortcomings of the system outside of PPA. These recommendations are designed to provide additional security for (a) the majority of plans that have successfully weathered the recent economic crises; (b) those that are on the path to recovery as measured against the objectives set forth in their Funding Improvement and/or Rehabilitation plans; and (c) those that, with expanded access to tools provided in the PPA and subsequent relief legislation, will be able to achieve their statutorily mandated funding goals.

2. **Remediation**: **Measures to Assist Deeply Troubled Plans.** Under current law, a small minority of deeply troubled plans are projected to become insolvent. For the limited number of plans that, despite the adoption of all reasonable measures available to the plans' settlors and fiduciaries, are projected to become insolvent, the Commission recommends that limited authority be granted to plan trustees to take early corrective actions, including the partial suspension of accrued benefits for active and inactive vested participants, and the partial suspension of benefits in pay status for retirees. Such suspensions would be limited to the extent necessary to prevent insolvency, but in no event could benefits go below 110% of the PBGC guaranteed amounts. To protect participants against potential abuse of these additional tools, the Commission further recommends the adoption of special protections for vulnerable populations including PBGC oversight and approval of any proposed actions, taking into consideration certain specified criteria.

3. **Innovation**: **New Structures to Foster Innovative Plan Designs.** To encourage innovative approaches that meet the evolving needs of certain plans and industries, the Commission recommends the enactment of statutory language and/or promulgation of regulations that will facilitate the creation of new plan designs that will provide secure lifetime retirement income for participants, while significantly reducing or eliminating the financial exposure to contributing employers. While the development of new flexible plan designs including, but not limited to, variable annuity and "Target Benefit" plans would permit adjustment of accrued benefits, in order to protect plan participants from this risk, these models would impose greater funding discipline than is required under current defined benefit rules. The adoption of such new models would be entirely voluntary and subject to the collective bargaining process.

<u>Conclusion</u>

The Commission recognizes that the challenges facing plans require an array of additional tools not currently available to address problems and accomplish the objectives set forth above. This comprehensive plan from business and labor, if enacted, will ensure that multiemployer plans will continue their decades-long mission of providing cost-effective and reliable retirement benefits to millions of working class Americans while protecting taxpayers from further risk.

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