

# NATIONAL COORDINATING COMMITTEE FOR MULTIEMPLOYER PLANS



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## *Issue Brief: The National Coordinating Committee for Multiemployer Plans on the January 29 PBGC Reports*

### Background

On January 29, two long-awaited reports dealing with multiemployer pension plans became available to the public. The first of these reports contains the results of the multiemployer insurance program review that ERISA requires the PBGC to complete every five years. The second report fulfills a requirement of the Pension Protection Act (PPA) that PBGC, DOL, and IRS should jointly provide Congress with an analysis of the impact that PPA has had on the operation and funding status of multiemployer plans.

The fundamental combined conclusion of both reports is that reforms are necessary to safeguard the benefits that multiemployer plans provide, manage the financial risks that these plans create for contributing employers, and protect the finances of the PBGC. The 2008 financial crisis and ongoing recession have demonstrated that the regulatory structure enacted in 1980 that is currently in place does not contain sufficient flexibility to allow the business and employee representatives who manage these programs to effectively address the dramatic impact that these events had on plans. As a result of this inflexibility, both the benefit security of the participants and the competitiveness of the sponsoring employers are in jeopardy. Further, the PBGC multiemployer program review makes it clear that absent regulatory changes, there is a 90% probability the multiemployer insurance program will fully exhaust its assets within the next 20 years.

### Facing the Challenges

Over the past two years, a partnership comprised of business and labor groups has worked tirelessly to craft a private sector solution to these concerns. In the summer of 2011, the NCCMP convened its “Retirement Security Review Commission” (Commission) to study the challenges facing the multiemployer pension system and develop reform recommendations. This group included over 40 organizations, evenly split between 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.

The work of the Commission is now complete, and the NCCMP will publish the results of its findings in the next few weeks. While the Commission is in complete agreement with the conclusion that the multiemployer pension system is in urgent need of reform, their findings are not in complete agreement with all of the perspectives expressed in the government reports. The Commission carefully evaluated the financial health of plans. They recognized that no broad generalization can accurately describe the status of these plans across all industries and that the solutions developed must be sufficiently robust to respond to a variety of circumstances. In developing the reform proposals it was clear that a distinction must be drawn between two

dramatically different categories of plans. On one hand are the vast majority of plans that continue to recover from the devastating losses arising from the broad market contractions of the great recession of 2008 and compounded by a continuing sluggish recovery, heading slowly but surely back to a solid funded position in the long-term. On the other, are a small but significant minority of plans that, for a variety of reasons, are unsustainable in the long-run. As a result, we believe that certain sections of the agency reports overstate the breadth of the funding distress facing multiemployer plans.

#### Private Sector Solutions Coming Soon

We note that neither of these reports makes any specific recommendations for legislative changes, as the authors believe that the multiemployer community itself should be instrumental in developing solutions. The NCCMP agrees with this position, and the development of a comprehensive reform proposal has been the precise mission of the NCCMP Commission since its inception. The work of the Commission has resulted in a detailed and far-reaching proposal that will address all of the challenges that the agency reports have identified. Specifically, this proposal includes measures that will strengthen and enhance the current multiemployer system, provisions to address the minority of multiemployer plans that are deeply troubled, and ideas for new and innovative plan designs that will better enable the bargaining parties to adopt 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 reduce the need for future taxpayer assistance by dramatically improving the financial outlook of the PBGC multiemployer insurance program.

#### Conclusion

The NCCMP commends the PBGC, DOL, and IRS for preparing these detailed reports. The release of these reports comes at an ideal time, as they reinforce the urgency of the efforts by the community of businesses and employee groups to address the regulatory and statutory changes needed to revitalize the system. These changes will ensure that these plans continue their decades-long mission of providing cost-effective and reliable retirement benefits to millions of working class Americans.

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