NATIONAL COORDINATING COMMITTEE FOR MULTIEMPLOYER PLANS

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Submitted via email

Editor
Wall Street Journal
1211 Avenue of the Americas
New York, NY 10036

Re: May 15, 2012 Editorial – The Union Pension Bomb

Dear Sir or Madam:

Your May 15, 2012 editorial entitled "*The Union Pension Bomb"* and the Credit Suisse report to which it refers may provide an eye-catching headline, but it contains numerous factual inaccuracies and misleading statements regarding multiemployer plans. Since their proliferation following World War II, these plans have meant the difference between a modest but dignified retirement and abject poverty for tens of millions of average working Americans.

The most obvious inaccuracy is the description of multiemployer plans as "union run" and the corresponding report conclusion that recommends the "replacement of labor managers, if need be". In truth, since 1947, federal law has required all multiemployer plans to be jointly managed by a board of trustees with equal representation from both labor and management. These plans are typically found in industries characterized by mobile workforces, such as construction, trucking, retail food and entertainment where employment patterns preclude workers from ever achieving benefits eligibility under typical corporate rules. Portability is an important factor for most workers in these predominantly low to moderate wage industries, where, contrary to the dismissive conclusion that such plans should be replaced by much less efficient, company-specific defined contribution plans, disposable income is generally inadequate to accumulate account balances sufficient to ever permit them to retire.

It is also incorrect to describe the Credit Suisse analysis as "fair value" and the Department of Labor figures as "actuarial" because both use actuarial projections. Actuaries measure pension liabilities using two distinct approaches. The first (Credit Suisse) approach captures the cost of settling the pension liabilities as though a plan termination were imminent by purchasing a dedicated bond portfolio. The second approach captures the cost of supporting an on-going plan with a diversified asset portfolio. This approach is more appropriate for multiemployer plans because they are not dependent on the fortunes of any single company. Unlike Credit Suisse's "analysts," Congress recognized these distinctions in crafting the funding and reporting rules contained in the Pension Protection Act of 2006 upon which the DOL requirements are based. Settlement calculations depend on the current interest rate environment, while on-going funding calculations do not.

Multiemployer plans provide cost-effective retirement security to millions of working class Americans. They are responsibly managed, and despite the devastating events of 2008, most are on sound financial footing.

Sincerely,

Randy G. DeFrehn
Executive Director