HOW FUNDING RELIEF CAN PROTECT PLAN PARTICIPANTS AND SPONSORS

Among the proposals advanced by the Multiemployer Pension Plans Coalition currently under consideration by Congress are the following:

a) Allow multiemployer plan sponsors to elect one of the following options:

   - Re-amortize their unfunded liability over 30 years, effective at the beginning of their 2010 plan years; or

   - Isolate the asset losses incurred during the 2007 and 2008 plan years, and amortize only those amounts over 30 years

b) Permit the use of a 10-year smoothing period for the recognition of asset losses incurred during the 2007 and 2008 plan years

c) Enhance the 5-year amortization extension provisions of PPA to an automatic 10-year amortization extension

d) Temporarily increase the permissible actuarial asset smoothing corridor from 20% to 30%

e) Allow plans sponsors to elect to extend their funding improvement and rehabilitation periods by 5 years (2 additional years for plans already benefitting from the WRERA extension)

Critics of these proposed provisions contend that they will allow multiemployer plans sponsors that have not managed their plans in a responsible manner to continue to avoid responsibility for funding their pension promises. However, the history of multiemployer plans strongly suggests that the sponsoring employers have an extensive history of effectively managing their plans:

- An NCCMP survey that included nearly 400 multiemployer plans indicated that the average funded percentage of these plans immediately prior to the stock market crash was 90%

- The 2008 PBGC Data Book shows that the corporation has paid $34.9 billion to participants affected by single-employer plan terminations, versus $400 million to participants affected by multiemployer plan terminations.[1]

- Only 57 of the 3,907 plans that have received assistance from the corporation have been multiemployer plans.

---

[1] Multiemployer plans currently represent approximately 25% of all participants in defined benefit plans

The proposed multiemployer funding relief provisions are necessary because the current rules enacted in the PPA are simply not sufficiently flexible to allow enough time for multiemployer plans to recover from the precipitous financial market collapse of 2008/09. Attached are two charts prepared by the National Electrical Benefit Fund (NEBF) that illustrate the need for and effectiveness of proposed relief.

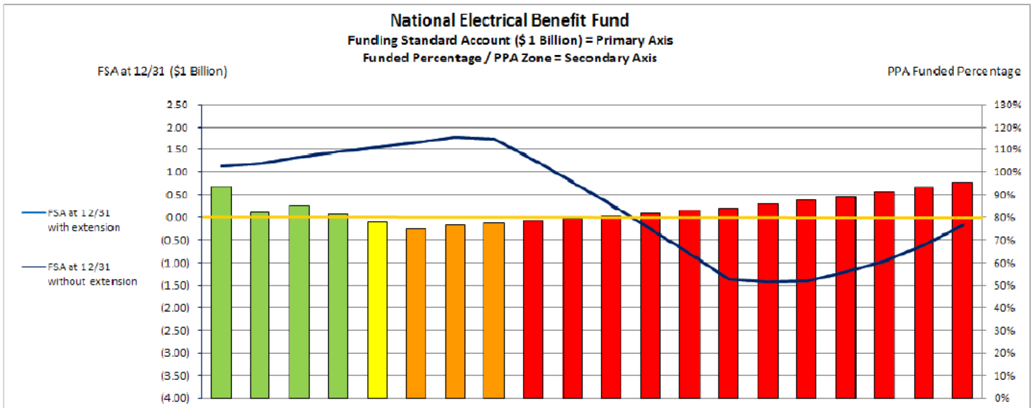
In the first chart, the height of the bars indicates that while the stock market crash resulted in the funded percentage dropping to 75%, over time the projected employer contributions will be sufficient to raise this figure to 96% within 20 years. Despite this positive outlook, the colors of the bars show that absent funding relief, the plan will be considered endangered in 2012 and will enter critical status in 2015.

The second chart assumes that the plan benefits from relief provisions (a) and (b) above. The assets, liabilities, benefit accruals, and employer contributions in this chart are identical to the first chart. However, with the relief provisions the steady improvement in the funded position of the plan over the next 20 years is sufficient to prevent the plan from becoming either endangered or critical.

While these charts only highlight the position of one multiemployer plan, the example is illustrative of a great many plans that are in a similar position. The employers have taken the necessary steps to ensure that the funding position of the plans will improve steadily over time, just as the charts show for the NEBF plan. However, just as with the NEBF plan, since these improvements will not occur as rapidly as is required by current law, the plans will unnecessarily need to impose potentially onerous contribution increases and possible benefit reductions associated with endangered and critical status to comply with the current requirements.

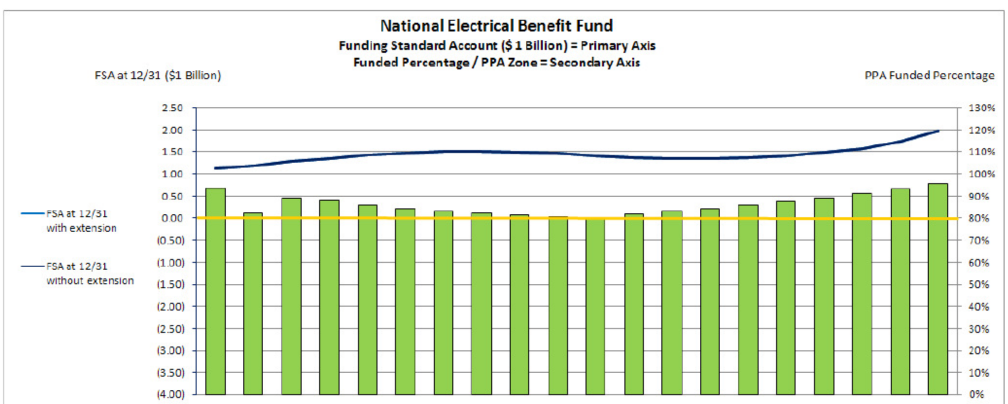
These proposed relief provisions do not reduce the liabilities for plan benefits. They do nothing more than allow plan sponsors some additional time to offset the massive asset losses that the financial market collapse created. Absent this relief, plans that are making steady progress towards recovery will require additional contributions from the sponsoring employers. Requiring unnecessary contributions from employers that are already struggling to survive in a difficult business environment will have a significant negative effect on our economic recovery and ultimately increase the risk to the PBGC of plan failure.

15.50% Return
Graph with 5 Year Smoothing – 20% AVA Corridor



Plan Year beginning 1/1	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Asset Return during Year	-21.9%	15.5%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%
FSA at 12/31 with extension	1.1	1.2	1.3	1.5	1.6	1.6	1.8	1.7	1.3	0.8	0.3	(0.2)	(0.8)	(1.4)	(1.4)	(1.4)	(1.2)	(1.0)	(0.6)	(0.2)
FSA at 12/31 without extension	1.1	1.2	1.3	1.5	1.6	1.6	1.8	1.7	1.3	0.8	0.3	(0.2)	(0.8)	(1.4)	(1.4)	(1.4)	(1.2)	(1.0)	(0.6)	(0.2)
Funded Percentage at 1/1	93%	82%	85%	81%	78%	75%	77%	78%	78%	79%	81%	82%	83%	84%	86%	87%	89%	91%	93%	96%

15.50% Return
Graph with 10 Year Smoothing – 20% AVA Corridor
Fresh Start Amortizations as of 1/1/2010



Plan Year beginning 1/1	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Asset Return during Year	-21.9%	15.5%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%
FSA at 12/31 with extension	1.1	1.2	1.3	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.5	1.6	1.7	2.0
FSA at 12/31 without extension	1.1	1.2	1.3	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.5	1.6	1.7	2.0
Funded Percentage at 1/1	93%	82%	89%	88%	86%	84%	83%	82%	81%	81%	80%	82%	83%	84%	86%	87%	89%	91%	93%	96%