THE NEED FOR TECHNICAL CORRECTIONS TO MULTIEMPLOYER FUNDING RELIEF MEASURES

Many thousands of companies participate in multiemployer pension plans in order to provide reasonable and reliable retirement benefits to their employees. Over 90% of the employers that sponsor these plans are small businesses that would not be able to provide their employees with these benefits without the economies of scale that the plans provide. While many companies of all sizes have chosen to reduce or eliminate the retirement benefits they provide to their employees, the employers that participate in multiemployer plans have chosen to take a different route by continuing to make the retirement security of their employees a top priority.

The 2008 financial market collapse placed unprecedented funding pressure on multiemployer plans and the sponsoring employers. In many cases plans have had to significantly reduce the benefits provided by the plans while simultaneously requiring significant contribution increases from the employers. In response to this crisis, on June 25, 2010 President Obama signed the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (The Act) into law. The Act will temporarily reduce the required contributions to multiemployer pension plans by allowing sponsors to recognize the losses suffered in 2008 and 2009 over longer periods of time.

While The Act is designed to provide meaningful funding relief to all multiemployer plans, certain provisions of the legislation are worded in such a way that they can be interpreted to provide less relief than Congress intended. Therefore, it is vital that Congress adopt technical corrections to The Act that will accomplish the following:

- Clarify that the definition of “Net Investment Losses” applies to losses measured on a market value basis, rather than an actuarial value basis;
- Ensure that plans that have already certified their zone status for 2010, or adopted 2010 funding improvement or rehabilitation plans, will be able to revise these documents to take into account the impact of the relief provisions;
- Enable plans that use certain actuarial methods known as “Spread Gain Methods” to access the relief provisions by adopting a different method that generates the actuarial experience losses necessary for the relief provisions to apply; and
- Verify that the restriction on benefit increases applies only to the year in which a plan elects to use the relief and the two subsequent plan years, and not to the entire 30-year amortization period provided by the relief.

In the absence of these corrections, the provisions of The Act may be interpreted by the regulatory agencies in such a way that would deny multiemployer plans the full extent of the relief that Congress has intended. This would place additional strain on thousands of small businesses that are struggling to remain competitive and grow in what is still a very difficult economic climate.