

# NATIONAL COORDINATING COMMITTEE FOR MULTIEMPLOYER PLANS

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August 20, 2010

*Submitted via email*

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

Re: August 15, 2010 Article – The Next Pension Bailout

Dear Sir or Madam:

Your August 15, 2010 article entitled ‘The Next Pension Bailout’ does a tremendous injustice to both multiemployer pension plans, and to the “Create Jobs and Save Benefits Act” that was recently introduced by Senator Bob Casey.

Financial experts have agreed for decades that when it comes to setting aside money for retirement, it is appropriate for both individuals and pension funds to invest the savings in a balanced portfolio that includes both equities and fixed income securities. As you may know, the S&P 500 returned -37% during 2008, which was the second worst year in the history of the stock market, surpassed only by the -43% return in 1931. Of course the pension plans are underfunded! The National Coordinating Committee for Multiemployer Plans conducted a study of nearly 400 multiemployer plans and found that immediately prior to the market crash, the average plan had assets that covered roughly 90% of the liabilities. Considering that these plans were still recovering from the steep market declines that took place between 2000 and 2002, this is a remarkably strong funded position. We would like to see the data you have that supports the statement ‘Hundreds of these multi-employer pools are badly underfunded, thanks to years of labor funneling money into new pay and benefits, rather than into funds for retirees’. Our comprehensive data tells a very different story.

In a multiemployer plan, when a company goes out of business and leaves the plan with unfunded benefits, the remaining employers each become liable for a share of the shortfall. Your article refers to this as a problem with these plans. Perhaps you have not taken the time to understand how well this system has worked over the past 30 years. Since the founding of the PBGC, the agency has provided financial assistance to roughly 4,000 single-employer pension plans. During the same time period, the agency has provided assistance to 63 multiemployer plans. The source of this disparity is the fact that since multiemployer plans are supported by entire industries rather than by individual companies, the plans are dramatically more stable.

The partition provisions of the Casey bill are far more targeted than your article suggests. The \$165 billion figure is a rough estimate of the combined underfunding of all 1,500 multiemployer plans. This figure has no relationship to the cost associated with the Casey bill. There are numerous provisions of the Casey bill that greatly limit its scope and cost. For example, only plans that have at least twice as many retirees as active employees are eligible. Additionally, plans must not simply be underfunded, but must be facing insolvency to qualify for relief. Among plans that are eligible, the Casey provisions only apply to unfunded liabilities that are directly attributable to employers that failed to pay their withdrawal liability assessments, so the massive underfunding that resulted from the market crash receives no relief. And finally, of the portion of the liability that is eligible for relief, plans are required to fund all benefit payments for at least the next five years.

We are deeply disappointed that your article quotes the \$165 billion figure without making any mention of what it really represents, or even attempting to relate it to the provisions of the Casey bill. We hope that you have done this because you simply do not understand multiemployer pension plans, and not because you are deliberately misleading the public. Taking into account the various provisions of the Casey bill, we have identified only 3 plans that will be able to qualify, and have estimated the cost to be approximately \$8 billion. We would be happy to discuss the analysis behind this figure with you, and would welcome the opportunity to review any analysis you can provide that leads to a different figure.

The 3 multiemployer plans that we expect to receive relief under the Casey bill are from the trucking and coal mining industries. Each of these industries has experienced great upheaval in recent decades. The deregulation of the trucking industry succeeded in driving down the cost of transportation, but it also made it nearly impossible for employers to provide decent pay and benefits to their employees. As a result, of the 50 largest employers that participated in the Central States Teamsters Pension Plan in 1980, only 4 remain in business today. In the coal industry, the Clean Air Act resulted in the closure of the majority of mining operations in the eastern half of the country, which had a devastating effect on the employers that participate in the United Mine Workers of America Pension Plan. As discussed earlier, a great strength of multiemployer plans is the fact that they only require financial assistance when entire industries become distressed, as has happened in these two isolated instances.

The Casey bill targets specific situations where dramatic industry shifts brought about by changes in government policy have stretched the plans beyond their ability to recover. Despite the \$8 billion price tag on the bill, it is a near certainty that the bill will actually result in taxpayer savings in the coming decades. Without assistance, the plans that the Casey bill will save would eventually become obligations of the PBGC within the next ten to twenty years. Should these plans fail, the PBGC would take on their entire unfunded liabilities. Rather than becoming liable for all of the plans' liabilities down the road, under the Casey bill the PBGC takes on only a portion of the liability.

Contrary to the highly negative portrayal of multiemployer pension plans in your article, these plans are responsibly managed, and they provide modest retirement income to millions of Americans who would otherwise struggle to survive in retirement. Senator Casey's bill focuses on a small number of plans where the sponsoring companies have been battered by industry shifts entirely beyond their control. The true beneficiaries of the bill are not the unions, or the employees, but rather they are these companies that are fighting to remain viable in a historically difficult business climate. For this reason, both the United States Chamber of Commerce and the Retail Food Industry have publicly defended the bill against the criticism that it is a union bailout. We urge you to look deeper into the realities of multiemployer pension plans and the provisions of the Casey bill. Once you do, you will see that the plans are worthy of your admiration, and the bill is worthy of your support.

Sincerely,

A handwritten signature in cursive script, reading "Randy G. DeFrehn".

Randy G. DeFrehn  
Executive Director