EXECUTIVE SUMMARY: While the Joint Select Committee on Solvency of Multiemployer Pension Plans was originally formed to address the impending insolvency of some multiemployer pension plans and the Pension Benefit Guaranty Corporation’s Multiemployer Fund, their focus has expanded considerably to include issues that will affect all plans.

In our May 24, 2018 submission to the Joint Select Committee, we expressed grave concern regarding certain Committee Members’ proposal to require multiemployer plans to use 30-Year Treasury Rates or corporate bond rates currently required of single employer plans to determine required funding levels. We indicated that this change would have severe repercussions, including the collapse of the entire multiemployer system, the bankruptcy or liquidation of many contributing employers, the loss of much of the federal tax revenue attributed from multiemployer pensions and wages, and consequences for the national economy.

To help provide insight as to why such a proposal would be so devastating, we asked Horizon Actuarial Service to analyze the impact of such changes to the discount rate on the entire multiemployer system. The results of this report should give all multiemployer plans pause.

The discount rates under consideration by some members of the Joint Select Committee would force most healthy plans into critical status. These plans would be forced to take immediate and drastic action to correct a new problem that would only be created by the legislation enacted by congress. Most plans would be forced to decrease benefits to levels that would not be appreciated by participants and increase contributions to levels that would be unsustainable for employers. Using alternative discount rates would likely result in decreased plan participation and increased employer bankruptcies and withdrawals, which would hasten the demise of the system rather than fortify it.

We strongly urge the Joint Select Committee to maintain the current approach to actuarial assumptions for multiemployer plans.

To better understand the full impact of the proposed change to the discount rate, we encourage reading the full report linked below.

PURPOSE: INFORMATIONAL
CATEGORY: JOINT SELECT COMMITTEE ON SOLVENCY OF MULTIEMPLOYER PENSION PLANS
ISSUER: NCCMP
TARGET AUDIENCE: TRUSTEES OF AND PLAN ADVISORS TO MULTIEMPLOYER PENSION PLANS
FOR MORE INFORMATION: NCCMP Coverletter

The Impact of Alternative Discount Rates on Multiemployer Pension Plan Funding

SEND COMMENTS TO: Multi-elert@nccmp.org
REFERENCE: VOL. XVIII, ISSUE 8

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We strive to ensure that the information contained in this and every issue of Multi-Elert is correct to the extent information is available. Nevertheless, the NCCMP does not offer legal advice. Plan fiduciaries should rely on their own attorneys and other professional advisors for advice on the meaning and application of any Federal laws or regulations to their plans.

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If you have questions about the NCCMP, or about this or other issues of Multi-Elert, please contact the NCCMP, by phone at (202) 737-5315 or by e-mail at nccmp@nccmp.org.