Prepared Remarks of
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Thank you Sean. Good morning.

This session is titled Update on NCCMP's Legislative Efforts. While we have significant pension issues to discuss, there is actually a lot going on outside of pension relief and reform, including efforts to ensure continuation of health coverage, COVID issues, as well as regulatory issues.

Last December, Congress repealed the twice-delayed Cadillac Tax on our health plans. NCCMP and others waged a nine-year battle to ensure that our health plans were never impacted from this very destructive and disruptive tax.

In the same bill, Congress provided permanent relief to the United Mine Workers pension fund as well as their retiree health fund. This was particularly significant because the U.S. Government fully paid for the cost of the relief, the retirees did not take any benefit reductions, the plan will never become a burden to the PBGC, and PBGC premiums were not raised.

On the regulatory front, the U.S. Department of Labor issued its final rule on Industry-Recognized Apprenticeship Programs in March. We were pleased that DOL did not harm the gold-standard apprenticeship programs of the Building Trades, but it was only because of the overwhelming response that their proposal saw from more than 324,000 commenters, including NCCMP and many of you.

However, DOL has issued two new proposed rulemakings in June and September under highly unusual 30-day deadlines. Both proposals could have serious and far-reaching consequences for our pension and 401(k) plans.

We filed a comprehensive 21-page comment letter on July 30th relating to the Financial Factors proposal, and which our 10:00am panel will address. On October 5th, we filed an even more comprehensive 43-page comment letter on DOL's proposal to stop fiduciaries from exercising their shareholder right to vote proxies, unless they vote with management. I'll admit, it is hard to make this stuff up.

Throughout the year, NCCMP is constantly working to ensure that Congress and the Executive Branch are not working against our interests, and where necessary, providing them with the data and ideas that they need to reach productive outcomes.

I want to move onto pensions and the impact of the COVID-19 pandemic on multiemployer plans. A lot has happened over the past 12 months, and we want to provide you with our perspective on where things are heading.

Last November, Chairman Grassley and Chairman Alexander released a white paper based on the good work of Chris Allen, Chairman Grassley's top pension staffer who tragically passed away in January. While there were parts of the proposal that were absolute non-starters, including the completely untenable cap on funding discount rates, the central solution that they developed for distressed plans was a special partition program. The program will restore solvency to the financially distressed plans that are in danger of becoming insolvent, protect the benefits of the retirees in these distressed plans, all while providing the PBGC with the resources to cover the costs of the special partition program.

The Chairmen also wanted to make sure that this type of crisis does not happen again, so they prescribed changes to the funding rules outside of the mandated discount rate. They also provided new tools for trustees to proactively manage their plans and authorized a new plan design.

During the discussion of the CARES Act in March, Leader Schumer incorporated the special partition program and worked to get it included in the CARES Act. President McGarvey personally spoke with President Trump during the CARES Act negotiations, and the President promised to get the multiemployer pension relief done. But Senate Republicans objected to the multiemployer inclusion because there were not reforms to ensure that this type of crisis does not happen again.

Speaker Pelosi built on the special partition solution and included it, along with much needed relief for all plans and a new plan design option, into the May HEROES Act. The HEROES Act that was passed on October 1st also included these provisions.

President McGarvey had further discussions with Chief of Staff Meadows over four days in August to establish both the need for this legislation as part of any COVID package, as well as the importance of President Trump honoring his promise from March.

While definitive action has not happened yet, Speaker Pelosi and Chairman Grassley have been working over the past 7 weeks to ensure that the bill provides the relief that is needed, and addresses Republican concerns particularly about ensuring that this never happens again, while not harming plans that would never need this assistance.

I think that we have come a long way in the past year. Republicans and Democrats have finally agreed on the solution for distressed plans, the special partition program. This structure, most importantly, will provide qualifying plans with certainty of execution while protecting retirees.

We are clearly not done yet, but we are heading in the right direction. Of course, we need a COVID bill that we can be attached to. And I am the first to admit, this has been a head spinning political exercise, especially given the economic collapse that the country is experiencing.

Before we go further, I want to thank PBGC Director Hartogensis for the important contributions that the PBGC made to the multiemployer pension legislation and negotiations, particularly from January through July. As you know, legislation of this importance needs to be fully vetted and developed into actual legislative text. When Chairman Grassley released the White Paper in November, much work remained to be done to have legislative text. And while Chris Allen was making very good progress, more work needed to be done when he passed away. Chris had been Chairman Hatch's top pension staffer and the lead staff on the Joint Select Committee, prior to becoming Chairman Grassley's top pension staffer.

Multiemployer pensions are a very unique animal, and among Republican pension staff, the two most knowledgeable, were Chris and Andy Banducci. Andy had joined the PBGC as its Chief Policy Officer in August 2019, so Chairman Grassley had a real problem. Director Hartogensis, knowing that time was of the essence, offered to detail Andy to Chairman Grassley to finish Chris's good work. Andy returned to the PBGC in July and left the Republican version of multiemployer legislation in very good shape.

The pandemic of COVID-19 has exacerbated the multiemployer pension crisis. The impacts from COVID-19 are very clear in some cases and will take time to fully understand in other cases. COVID-19 and the government mandated shutdown of the U.S. economy has resulted in an unprecedented economic collapse that has decimated the finances of workers, families, employers, and their plans. This economic shutdown has put almost 64 million hard working Americans out of work in the 29-weeks ending October 3rd. In comparison, during the worst 29-weeks of the 2008-2009 Great Recession, 18 million Americans lost their jobs.

Multiemployer pension plans generally receive contributions based on the hours worked, so as hard-working Americans are unemployed, the employers are no longer contributing to the pension plans. These lost employer contributions are devastating for all pension plans, but particularly those plans in financial distress because, under rehabilitation plans or funding improvement plans, almost all of the employer contributions are used to pay benefits to current retirees or pay down the unfunded liabilities of the plan.

The failure to have a solution soon for multiemployer pensions will accelerate the insolvencies of plans already in distress as well as the PBGC, the federal insurer of these plans. Plan insolvencies will result in a large number of employer bankruptcies or liquidations. Even previously healthy plans may see their plan become financially distressed as a result of these COVID-19 impacts.

COVID-19 has also resulted in the Federal Reserve taking actions that directly, and negatively, impact pension plans as well as plan investments in fixed income securities. While the Federal Reserve's actions are necessary to prevent a complete collapse of the financial markets and the broader economy, their actions have further crushed the yields on Treasury securities, agency securities, and corporate fixed income securities. Given the role of fixed income securities in a well-diversified portfolio, which is a statutory requirement of ERISA, the Federal Reserve's actions, however necessary, have directly and negatively impacted a large portion of the investment portfolio of pension plans, as well as plan liabilities due to reduced yields on benchmark securities.

The Federal Reserve Chairman Jay Powell has indicated that the participants of the Federal Open Market Committee expect that the economic recovery will last through 2023. He has also repeatedly told Congress and the President of the need for additional fiscal stimulus to ensure that the economic tragedy unfolding across America is not compounded unnecessarily by Congressional inaction.

The Federal Reserve itself has expanded its balance sheet by $3.1 trillion since March, and this is the only reason that the stock market is not trading at levels below what was seen on March 16th. Compared to March 16th, the stock market is sitting on home plate today. Our political leaders should not assume that they hit actually hit a home run, when in fact they were born on the Federal Reserve's home plate. The Federal Reserve deserves all of the credit for the current state of the stock market, but like an adrenaline shot, it only lasts for so long. And that is why Chairman Powell has been imploring Congress and the President to act on a new fiscal stimulus package.

And it is also in the U.S. Government's interest to act on multiemployer pensions. In 2015 alone, the multiemployer system paid $41 billion in pension benefits to retirees, $203 billion in wages to active workers, generated $158 billion in federal taxes, $82 billion in state and local government taxes, supported 13.6 million American jobs, and contributed more than $1 trillion to U.S. GDP. The single year data is interesting, but because the federal government uses a 10-year budget window, we need to look at the 10-year data, which is at least 10.5 times the single year data.

While Congress rescued the United Mine Worker pension last year, the largest failing plan, the Central States Pension Fund, will become insolvent in 2025. Between now and then, retirees in plans that become insolvent and subject to the PBGC's multiemployer guarantee, will see an average benefit reduction of 53%. Immediately after the insolvency of Central States, the PBGC's multiemployer program is now estimated to become insolvent in 2026. When this happens, retirees in insolvent multiemployer plans will see their pensions reduced between 94% and 98%. This will be absolutely catastrophic for these retirees.

But the U.S. taxpayer has enormous exposure as well. We estimate that with no solution, the taxpayer will lose between $32 billion and $101 billion in tax revenue over the 10-year budget window. This is from the lost pension and wage income resulting from the collapse of these plans.

However, the loss of tax revenue is only one cost that the taxpayer will see from the insolvency of these plans and the PBGC.

Retirees that see a 94% to 98% reduction in their pensions will be forced onto the social safety net entitlement programs that the U.S. Government and the States provide.

Based on 2017 data, we estimate that the U.S. Government will have new safety net spending over the 10-year budget window of $138 billion.

Combined, the 10-year cost to the U.S. Government and taxpayer of not finding a bipartisan solution to the multiemployer pension crisis, is between $170 billion and $239 billion.

The actual costs are likely to be higher, perhaps significantly. This depends on the damage from the COVID-19 pandemic and whether additional plans currently in critical status are unable to restore themselves to health through their rehabilitation plans, or fall further into critical and declining status, how a broader contagion plays out with employers and other plans, and how the impact of the market-based responses of banks, the capital markets, FASB and the accounting profession play out with the contributing employers.

The COVID-19 pandemic and the resulting unemployment have also created significant problems on the health insurance side for workers and their health plans. As you know, when workers lose their jobs, they soon thereafter lose their health insurance, unless they purchase COBRA coverage. And we have seen entire industries shut down because of the pandemic, and in many cases, remain shut down. This has been devastating to workers. It has also been devastating to health plans who have lost their contribution base and whose members frequently cannot afford to purchase COBRA coverage.

NCCMP has been advocating for the same type of COBRA support that Congress provided during the significantly less impactful financial market crisis of 2008 and 2009. And it's hard to believe that this can be said of that crisis, yet it's a fact. We continue fighting for COBRA coverage as it's critical in the middle of a health pandemic that has put almost 64 million hard working Americans out of work. This is timely and it is necessary.

While NCCMP is a non-partisan organization, our work is in an increasingly political and polarized environment, so it is important to understand that, and to be able to communicate our impact to our nation's political leaders. Beginning in 2018, we wanted to understand the political impact of participants in multiemployer pension funds. So, we worked to understand the 10.4 million participants, and where they lived.

What we found was very interesting and relevant to statewide races for federal positions like President and U.S. Senator. President McGarvey hit on a couple of points about multiemployer participants and their impact in critical 2016 states and their potential for 2020 battleground states as it relates to the Presidential race. It is equally interesting however, to the 2020 races for U.S. Senate. And what we found was that the number of multiemployer pension participants, also known as voters, exceeded the margin of victory in the 2018, 2016, and 2014 Senate races in key 2020 races. These include Alaska, Arizona, Colorado, Georgia, Iowa, Maine, Montana and Texas.

As someone who was involved in two successful Presidential campaigns, I thought that there was an election advantage for those that would like to run a campaign on "I saved your pensions". But perhaps not. Well, as we said in our October 5th comment letter to DOL, the market place of ideas is alive and well.

In closing, for 46 years, the NCCMP has been working to ensure that multiemployer pension, and health and welfare plans can thrive, and our vital work continues. We thank you for your

partnership as we work together to address the issues important to our participants, plans, unions and employers.

I will open it up to a few questions.