National Coordinating Committee for Multiemployer Plans

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The Honorable Richard E. Neal	The Honorable Kevin Brady
Chairman	Ranking Member
Committee on Ways & Means	Committee on Ways & Means
United States House of Representatives	United States House of Representatives
Washington, D.C. 20515	Washington, D.C. 20515

Dear Chairman Neal and Ranking Member Brady:

The National Coordinating Committee for Multiemployer Plans ("NCCMP") appreciates your hard work and supports the multiemployer pension provisions contained in the "Butch Lewis Emergency Pension Plan Relief Act of 2021". This bill is both timely and necessary.

Multiemployer pensions provide retirement income to 10.4 million hard-working Americans and are the product of agreements between 200,000 job-creating employers of America and their labor partners. The multiemployer system has been an incredible economic engine for the U.S. Government and the American economy. In the latest four years (2015-2018) for which U.S. Department of Labor Form 5500 data is available, the multiemployer system, through the job creating employers of America and labor that jointly sponsor these pension plans, has paid more than $698 billion in taxes to the U.S. Government and $374 billion in taxes to state and local governments. These plans also provided $169 billion in pension income to our retirees and paid more than $927 billion in wages to 3.8 million active workers. Combined, the pension and wage income supported 17.2 million American jobs and generated $4.6 trillion in U.S. GDP.

Prior to the pandemic of the novel coronavirus ("COVID-19"), a small but systemically important subgroup of these pension plans was heading toward insolvency. These plan insolvencies will cause the federal government's Pension Benefit Guaranty Corporation ("PBGC") to become insolvent. Approximately 1.3 million Americans will lose between 94 percent and 98 percent of their pension income and be forced onto the federal government's poverty safety net programs. These insolvencies will also result in thousands of businesses being forced into bankruptcy or liquidation, which in turn will lead to tens of thousands of active workers losing their jobs.

The failure of these plans, their employers, and the PBGC will also cost the U.S. taxpayer at least $20 billion annually in lost tax revenue and increased safety net spending. This follow-on impact to the U.S. taxpayer is consistent with then Senate Finance Committee Ranking Member Orrin Hatch's analysis of the impact of potential benefit reductions to state and local government pensions in his January 2012 report titled "State and Local Government Defined Benefit Pension Plans: The Pension Debt Crisis that Threatens America."

However, the pandemic of 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 77.5 million hard working Americans out of work in the forty-six weeks ending January 30th. In comparison, during the worst forty-six weeks of the 2008-2009 Great Recession, 26.7 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 to pay down the unfunded liabilities of the plan. The failure to have an immediate solution for multiemployer pensions will accelerate the insolvencies of plans already in distress as well as the PBGC, the federal insurer of these plans. Further, previously healthy plans are likely to become financially distressed as a result of these COVID-19 impacts.

COVID-19 has also resulted in the Federal Reserve taking actions through monetary policy that directly and negatively impact pension plans. These actions include expanding their balance sheet by $3.1 trillion since March 12th, 2020, or almost 75%. This extraordinary support, and the Federal Reserve's commitment to keep it in place through at least 2022, has resulted in actual negative real yields (bond yield after accounting for inflation) on Treasuries, Agencies and other fixed-income securities. It is also the principal reason for the positive stock market since last March, although many plans will post losses depending on their fiscal year end and their portfolio allocation. Furthermore, given the role that fixed income securities play in a well-diversified portfolio (a statutory requirement under ERISA), the Federal Reserve's actions, however necessary, have negatively impacted a large portion of the investment portfolio of pension plans as well as the PBGC's valuation of pension liabilities.

While the Federal Reserve's actions were necessary to prevent a complete collapse of the financial markets and the broader economy, eventually, the Federal Reserve will cease its manipulation of interest rates and allow interest rates to normalize. This, in turn, will eliminate the artificial upward pressure on the equity markets, and allow stock prices to become more closely linked to the actual and expected performance of the underlying equities and that of the economy, as opposed to the balance sheet of the Federal Reserve and its manipulated interest rates.

A long-term solution to the COVID-19 pandemic and its successful implementation remains in the future. It is also not clear how many of the 77 million unemployed will get their jobs back, or, for those who do, whether their wages or hours will approach pre-COVID levels. As you know, many industries that participate in multiemployer pensions (for example, hospitality and entertainment) continue to suffer significant unemployment due to government COVID restrictions. What is clear is that most of the employers in the multiemployer system are small businesses and that the COVID-19 pandemic will continue to have a tremendous negative impact on their finances as well as their multiemployer pension plans. As the Federal Reserve has

indicated, the economic recovery will take years to accomplish. The employers in the multiemployer system are unlikely to be any different from the broader economy, meaning that it will take a significant amount time to get back to the pre-COVID-19 levels of employment and pension contributions.

All of this leads to the conclusion that multiemployer relief and reform are economic imperatives for participants, plans, the job creating employers of America, the PBGC, and U.S. taxpayers. We appreciate the serious solutions included in your bill and look forward to working with you on its implementation.

Sincerely,

Michael D. Scott
Executive Director

cc: The Honorable Nancy Pelosi
The Honorable Charles E. Schumer
The Honorable Mitch McConnell
The Honorable Kevin McCarthy
The Honorable Ron Wyden
The Honorable Patty Murray
The Honorable Robert C. “Bobby” Scott
The Honorable Mike Crapo
The Honorable Richard Burr
The Honorable Virginia Foxx