

RELIEF IS CRITICAL FOR MULTIEMPLOYER PENSION PLANS

Position:

Multiemployer defined benefit pension plans need immediate relief from the funding requirements of the Pension Protection Act (PPA). If left unchanged, the shock of the massive asset contractions will result in precipitous and irreversible contribution increases and benefit reductions. The extent of these changes will, at the very least, impair competitiveness and possibly result in the bankruptcy of contributing employers, reducing employment opportunities and further contributing to a downward spiral in the contribution base, threatening the long-term survival of employers and plans and increasing the risk to the PBGC.

Issue:

For more than 60 years the nation's multiemployer defined benefit pension plans have provided a secure retirement to America's working families. Today, roughly 10 million active and retired workers and their survivors depend on the 1,530 such jointly-managed plans for their retirement income. Approximately one-fourth of all active employees with traditional pension coverage participate in multiemployer plans. Multiemployer plans are funded in part by contributions (usually based on hours worked) required to be made to a trust fund pursuant to the terms of a collective bargaining agreement; as mature requirements of the Plans, the majority of their income (commonly 70% to 80%) is derived from the returns on invested assets. Such plans are prevalent in the building and construction trades and other industries characterized by a mobile workforce.

Key Points:

NECA is working with various stakeholders, including employer groups and the National Coordinating Committee on Multiemployer Pension Plans (NCCMP) to devise a legislative solution that could be considered before Congress. Among the legislative options Congress should consider:

- **Pension relief must be accessible to plans** and must be described clearly enough to be useful immediately and not subject to eligibility requirements that could screen out a great many plans. To achieve this goal, we recommend the following:
 - Allow the use of market value of assets instead of the actuarial value of assets for the solvency test;
 - Set the first measuring date for solvency at 15 rather than 10 years after the year of election;
 - Allow a plan to pass the test if its funded percentage as of the measuring dates is projected to be at least 80% of the funded percentage for the plan year of the election
 - Provide that the election can be made in conjunction with the 5500 filing for the plan year, also to make sure that the funding improvement and rehabilitation plans can be taken into account in the solvency projection
- **All of the 2008 losses must be amortized over 30 years.** The extended amortization of 2008/2009 investment losses must allow plans to spread out financing for the full amount of the drop in the portfolio's market value.
- **Plans need a 45 day extension for Zone Certification.** Actuaries must certify whether a plan is in endangered or critical status for a plan year by 90 days after the start of that year. With that date having passed, a transition rule should be included for 2010 that delays the deadline for the status certification so that plans have at least 45 days to address it.
- **Merger rules must be simplified.** The provisions to ease multiemployer plan mergers and create a new type of merger, called an alliance, will provide an important new tool to salvage plans that might otherwise fail.



National Electrical Contractors Association

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