INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS®

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LONNIE R. STEPHENSON
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VIA EMAIL

The Honorable Orrin Hatch
Chairman
Joint Select Committee on Solvency of Multiemployer Pension Plans
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Sherrod Brown
Co-Chairman
Joint Select Committee on Solvency of Multiemployer Pension Plans
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Hatch and Co-Chairman Brown:

Over half a million active members, retirees, and survivors participate in the International Brotherhood of Electrical Workers (IBEW) multiemployer pension plans. On behalf of these participants, we want to thank you for the work you are doing to find solutions to the issues facing multiemployer pensions. However, there are several concepts or proposals currently being discussed that we believe would render the current system unsustainable and would rapidly result in government-induced market failure.

We do not believe (1) the use of 30-year Treasury bond or corporate bond rates as the discount rate; (2) an increase in Pension Benefit Guaranty Corporation (PBGC) premiums; or (3) the use of composite plans; are solutions and should not be considered by the Joint Select Committee as such. Most multiemployer plans, over sixty percent, are stable and in the "green zone." These proposals would pose new problems for green zone plans and exacerbate the issues that a small number of plans are currently facing. Instead, the IBEW encourages the Joint Select Committee to consider a low interest loan program which would be a sustainable, immediate fix.

Not a solution: Use of 30-year Treasury or corporate bond rates as the discount rate

Prescribing an alternative discount rate on key measurements for multiemployer pension plan funding would move most healthy plans into endangered or critical status. Doing so would decrease benefit levels for participants and increase required contributions to levels that would make it difficult for employers to remain competitive. Additionally, using lower discount rates would introduce fluctuations as rates change. This is particularly troubling because multiemployer pension plan rates are fixed at three or more years through the collective bargaining process. Moreover, an employer's withdrawal exposure would increase if corporate bond rates or 30-year Treasury rates were statutorily imposed.

Not a solution: Increase in PBGC premiums

Protecting the retirement incomes of the more than 40 million American workers in plans covered by the PBGC is important to the IBEW. However, caution should be used when weighing fixes for the PBGC. Overly burdensome premiums applied to green and yellow zone plans would introduce financial burden that would likely increase the number of declining plans. The PBGC is designed to protect workers' benefits in the case of plan failure. Increasing PBGC premiums should not be done in a manner that would cause additional plan failures.

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Not a solution: Use of composite plans

It is troubling that composite plans have been discussed as a solution to multiemployer pension issues. Unions bargain in good faith on behalf of millions of workers each year. Workers defer wages on the promise of defined benefits being available to them in retirement – the Joint Select Committee's efforts should focus on ensuring this promise is kept. Composite plans, by design, do not address plans that cause a risk to the system. Instead, they seek to restructure healthy plans. We do not see the relevance of including this topic in the discourse surrounding the urgent need to protect at-risk pensioners and participants. Composite plans are not a solution and should be debated independently of the Joint Select Committee's work.

A solution: a low-interest loan program

A bipartisan, bi-cameral group of members of Congress have already signaled their support for a plan to create a new agency, the Pension Rehabilitation Administration, that would sell bonds to large investors and lend the proceeds of the bond sales to financially troubled pension plans. We urge you to support the establishment of a low-interest loan program to restore the solvency of endangered multiemployer plans. Workers in suffering pension plans faithfully made their own contributions during their employment, fulfilling their end of the bargain. They are victims who should not be penalized for plan mismanagement, adverse public policy, or Wall Street risk-taking. Participants deserve to receive their full benefits.

It is incumbent upon the members of your committee to come together to find solutions to critical and declining plans, not introduce increasing risk to green zone plans with such proposals as alternative discount rates, crippling PBGC premiums, and composite plans. On behalf of the IBEW, we urge you to consider a low-interest loan program that preserves promised benefits and remove other options from the table.

Sincerely yours,

Lonnie R. Stephenson
International President

Kenneth W. Cooper
International Secretary Treasurer

LRS/KWC:lgd
Copy to All Members of the Joint Select Committee on Solvency of Multiemployer Pension Plans
The Honorable Mitch McConnell
The Honorable Charles Schumer
The Honorable Paul Ryan
The Honorable Nancy Pelosi