

# THE MULTIEMPLOYER COMMUNITY'S RESPONSE TO THE FINANCIAL CRISIS

## Legislative Proposals for Multiemployer Defined Benefit Funding Relief

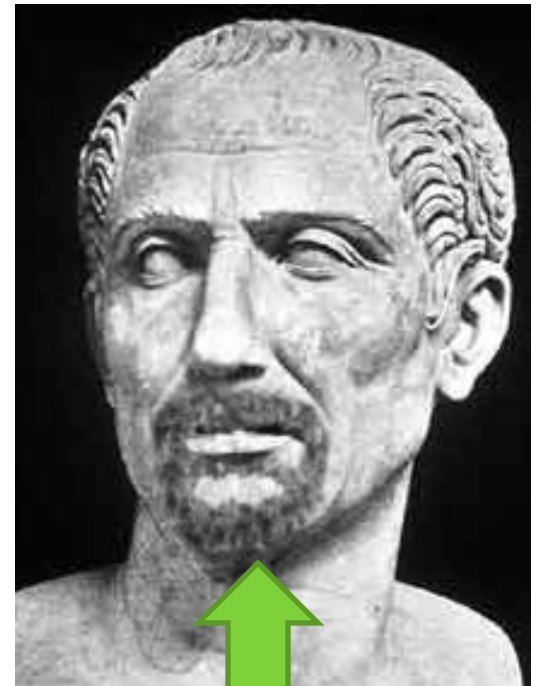
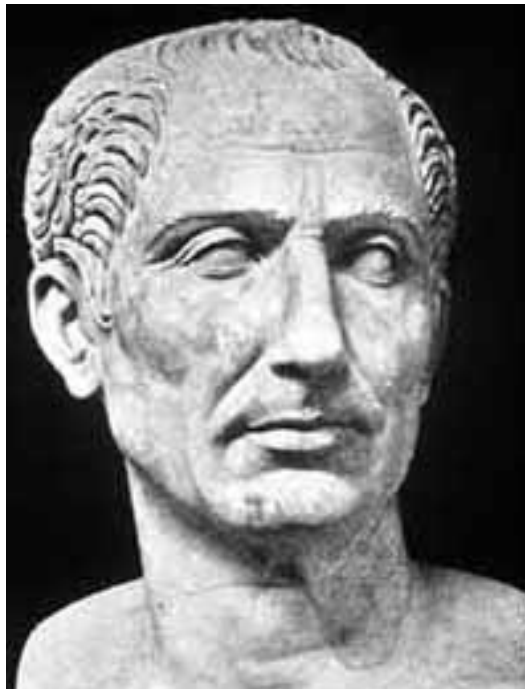


**Longer term considerations**

# Many PPA Provisions Sunset in 2014

- Is the Multiemployer Community prepared?
- Rappaport & others: System is basically good, needs some tweaking.
- GP Sullivan & others: *I'm not Rappaport....*  
System is broken.

*But wait, an amazing discovery  
uncovered here at Caesar's Palace!*



# At this time ...

## Reasonable Questions we Cannot Answer (well)?

- Can DB Plans survive only in the Taft-Hartley space?
- Are lifetime benefits still possible?
- Will new employers enter our DB plans?

## 401k's face the latest unprecedented downturn

- 401k plans have failed as retirement vehicles
- Vain efforts to dress up DC plans like DB Plans
- Tragic reliance on the stock market

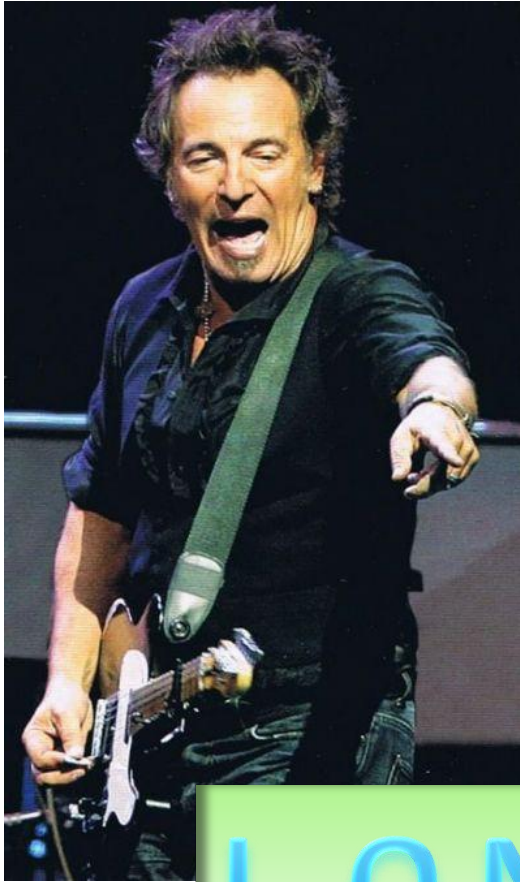
# Experts push retirement plan reform

Brian J. O'Connor / The Detroit News

"Clearly, the system is not working and in my view is a national disgrace," says Dan Solin, author of *The Smartest Retirement Book You'll Ever Read*.

Teresa Ghilarducci, an economics professor at New York's New School for Social Research, notes that "The 401(k) system was created as a minor footnote in the tax code -- not a major piece of financial security. It was never intended to be the second layer for retirement savings on top of Social Security. It needs to be drastically reformed."

But we digress: what do these two have in common?



LONGEVITY

# AFL-CIO aims to bring young people into unions Sunday, September 20, 2009

By Ann Belser, Pittsburgh Post-Gazette

They came to Pittsburgh, heard a host of speeches, elected new officers and passed a raft of resolutions. .... **There also was a very real sense in the room of the aging of the labor movement.** A vast majority of the people in the convention center either had gray hair, thinning hair or a good hairdresser.

*AFL-CIO delegates cheer for President at the AFL-CIO convention*



# GAO Report - *Private Pensions: Alternative Approaches Could Address Retirement Risks*

- Last month, the GAO issued 72-page report
- It analyzes the major risks that Americans face in accumulating and preserving pension benefits.
- GAO looked at private pension systems in Europe, as well as alternative pension models for the US.
- Any new system will require trade-offs.
- There is no shortage of good ideas to promote retirement security
- The best ideas require fundamental changes to the pension funding regime and traditional plan designs.

# A National Retirement Policy

- Our country needs the resources of secure retirees.
- Working Americans need the means to save for some leisure in later years.
- It is sound social policy, 'cause,
  - ***Do we want retirement age folks to be forced to work while recent graduates unsuccessfully search for jobs and/or advancement?***

# Country Needs Secure Retirees

- Retirees with secure retirement income and a longer life expectancy can be taxpayers, who pay for medical care, cash-for-clunkers and national defense.
- If current trends continue, poverty among the elderly increases.
- Middle-class retirees find that their income does not pay for the lifestyle they enjoyed while working.
- For the first time since World War II, the standard of living of elderly Americans declines while the average age of workers increases.

# What to Do?

- General President Mike Sullivan seeks a Presidential Commission on a National Retirement Policy and Pension Reform
- Secretary of Labor urged by her Advisory Council to support the Commission
- Other groups, including the Economic Policy Institute, support the concept
- **Still Other groups say idea amounts to an attempt to bail-out “union” plans**

# Time for true pension reform

By: **Michael J. Sullivan**

July 29, 2009 04:55 AM EST

The president and Congress understandably have been preoccupied with fixing the economy and reforming health care. The nation will not achieve lasting economic growth, however, unless the president and Congress do something to permanently ensure the economic security of America's current and future retirees.

Common sense dictates that aging American baby boomers will place greater strains on our economic resources and the health care system. Retirees can help pay for these resources and help fund health care if they have financial security.

**Past generations who reaped the benefits of our traditional private-sector pension system had such security. Right now, the retirement security of millions of Americans is woefully inadequate. Over the long term, our society's shortsighted dismantling of this private source of income will shift these costs directly onto the taxpayer with crippling economic consequences.**

# Others say

Isn't it –



- Don't you have to include Social Security?
- Health Care 24/7 (wait your turn)
- Overcome powerful interests!



# WE DON'T KNOW ABOUT YOU, BUT AREN'T YOU SICK OF HEARING ...

What can we accomplish this election cycle?

I live in the world of the possible.

This Secretary, Committee Chair, Administration, will  
never do it!

We can get something, if we don't ask for too much.

About



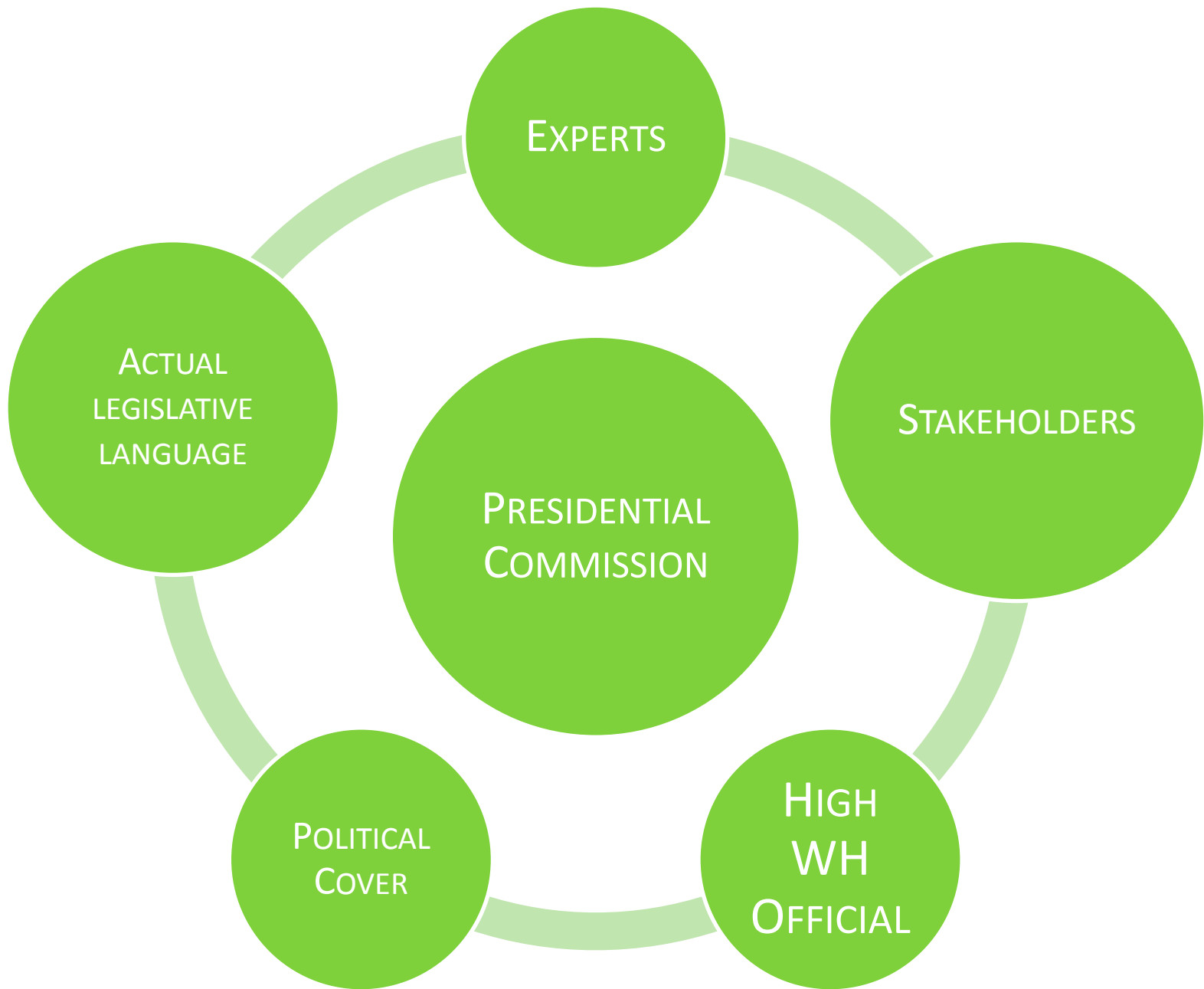
# **... TO YOUR THIRD QUESTION: CAN DB PLANS BE REDESIGNED TO BE MORE ATTRACTIVE TO EMPLOYERS WITH BETTER COVERAGE AND MORE PARTICIPANT SECURITY?**

*... they can, but how can we marshal new approaches into a coherent national policy that provides for universal coverage, over and above Social Security?*

- The normal legislative process cannot do it. A new system cannot be achieved through piecemeal legislation such as an extension of an amortization period or fixing interest rates.
- [W]e need a system that isn't so administratively complex nor which carries so much risk that it discourages employers from sponsoring retirement plans.
- **It will require bold leadership, the kind of leadership only a panel of experts under a Presidential Commission can provide to develop concrete legislative proposals for a new universal system.**

# Statutory and Regulatory Framework needs Rationalizing

- PPA, like almost all legislation since 1974, only addresses the last crisis.
- written by bright, well-intentioned staffers w/ little experience or expertise in pension plan design and administration
- commission will bring together the necessary expertise and life experience a new pension policy demands
- Legislation and regulation are incoherent.
- Congressional jurisdictions overlap in revenue, labor, and gov't operations committees.
- Regulatory authority is shared among the Treasury, Labor and PBGC w/ conflicting demands on sponsors.



# Structure & Mandate

- A senior administration official will actively chair the commission.
- Members from all stakeholders – HR professionals, participants, investment professionals, Unions, benefit experts and Employers.
- Strong mandate, adequate staffing, funding and a two-year deadline for recommendations.
- Congress must act on Commission report.





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## END OF THE BEGINNING