



**NCCMP ANNUAL
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Pension Funding Legislation Update

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Legislative Update

- Background: what happened with PFEA
- Who is in the Coalition
- Philosophy of the Coalition Proposal
- Where it stands
 - Coalition Proposal
 - House Education & Workforce Bill
 - Senate HELP Committee Bill
- Where it's going

Legislative Update: Prologue

- PFEA: 2004 Pension Funding Equity Act
- NCCMP sought but did not get temporary relief for multiemployer pension plans, in light of “the perfect storm”
- That effort did, however, succeed in:
 - Fending off proposals for hostile legislation
 - Raising the visibility of multiemployer plans
 - Highlighting distinctions between single employer and multiemployer plans

Legislative Update: The Coalition

- ABC
- ATA
- The Associated General Contractors of America
- The Associated Maintenance Contractors
- Bechtel Corporation
- Construction Employers Association
- The Financial Services Roundtable
- The Finishing Contractors' Association
- The Food Marketing Institute
- International Council of Employers of Bricklayers and Allied Craftworkers
- The Joint Labor Management Committee of the Retail Food Industry
- The Mechanical Contractors Assoc. of America
- The Motor Freight Carriers Association
- The National Electric Contractors Association
- National Roofing Contractors of America

Legislative Update: The Coalition

- NEA The Association of Union Constructors
- Printing Industries of America
- The Sheet Metal and Air Conditioning Contractors' National Association
- UPS
- U.S. Chamber of Commerce
- Washington Group International
- The Western Conference Teamsters Pension Fund
- Yellow Roadway Corporation
- Actors' Equity Association
- American Federation of Musicians
- American Federation of Television & Radio Artists
- Bakery and Confectionary Union and Industry International
- Building and Construction Trades Department AFL-CIO
- Central States Funds
- The Hotel Employees and Restaurant Employees International Union

Legislative Update: The Coalition

- The International Association of Bridge, Structural, Ornamental, and Reinforcing Iron Workers
- The International Association of Heat and Frost Insulators and Asbestos Workers
- The International Association of Machinists & Aerospace Workers
- The International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers
- The International Brotherhood of Electrical Workers
- The International Brotherhood of Teamsters
- The International Union of Bricklayers and Allied Craftworkers
- International Union of Elevator Constructors
- The International Union of Operating Engineers
- The International Union of Painters and Allied Trade of the US and Canada

Legislative Update: The Coalition

- Laborers International Union of North America
- NACBE
- Operative Plasterers' and Cement Masons' International Association of the US and Canada
- PACE
- Service Employees International Union
- Sheet Metal Workers International Association
- United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the US and Canada
- United Brotherhood of Carpenters and Joiners of America
- United Food and Commercial Workers International Union
- USWA
- United Union of Roofers, Waterproofers and Allied Workers
- Sheet Metal Workers International Association
- National Coordinating Committee for Multiemployer Plans

Philosophy of the Coalition Position

- More discipline and planning
 - Faster funding for benefit increases
 - Higher deduction limits for contributions
 - Early warning alert (“yellow zone”) to focus on correcting problems as plans head to trouble
- More tools and flexibility when things nevertheless go wrong (“red zone”)
- More information to stakeholders

Congressional Action to Date

- House Committee on Education and the Workforce approved a pension reform bill sponsored by Chairman Boehner – HR 2830 – on June 30
- Senate Health, Education, Labor and Pensions (HELP) Committee approved a bipartisan pension reform measure on September 8
- Senate Finance Committee approved a bipartisan pension reform measure (NESTEG) on 7/26, without multiemployer funding changes

Comparison: Coalition Proposal and House and Senate Bills

	Coalition	HR 2830	HELP Bill
Faster Funding	15 years	Same	Same
Faster IRS relief/ higher deductions	Yes/yes	No/yes in part	Yes/yes in part
"Yellow" Zone	<80% funded/deficiency in 7 years/ detailed plan	Similar, except for technical points	Similar, but excise tax if plan not achieved
"Red" Zone: 65% funded, deficiency in 3 – 5 years	Can cut early-out subsidies, no FSA excise taxes – improvement plan	Improvement plan, can cut early-out subsidies	Improvement plan, no FSA excise taxes, can't cut early-out subsidies
Disclosures	Explanatory notice to all if in red, yellow zone	Employers, participants can get actuarial, financial reports	HR 2830 plus much more data in additional reports ₁₀

How the Funding Rules work— in general

- 15-year funding for benefit increases
 - Effective 2006 (House) or 2007 (HELP)
 - Grandfather for promised benefit restoration (not in the bills)
- Plan would have the right to a 5-year amortization extension, shortfall method
- 40% increase in a pension deduction limit, eliminate combined db-dc deduction limit
- **Issues**

How the "Yellow Zone" would work

- Less than 80% funded, or facing a funding deficiency in 7 years
- Trustees must design a program to improve plan funding to specific levels, over 11 – 15-years
 - Bargaining parties decide on contributions
 - In order to achieve the benchmarks it may be necessary to reduce future benefit accruals
 - Benefit increases only allowed as part of overall funding improvement plan
- **Issues**

How the "Red Zone" would work

- Less than 65% funded and/or facing a funding deficiency in 3 - 5 years
- Trustees must design a program to get out of trouble within 10 – 12 years
 - Contribution rates to be decided by bargaining
 - Cutbacks allowed in early-retirement and other subsidies and rollback of recent benefit increases, but core NRA retirement benefits and current retirees' pensions protected
 - Temporary contribution surcharges, shelter for employers from funding-deficiency penalties
 - Future accrual rates cannot be cut below 1% or current levels
- **Issues**

How Enhanced Disclosure would work

- Expanded detail in annual funding notice to participants, employers, unions, government agencies
- Explanatory notice, data and updates if a plan goes into endangered or critical status
- Disclosure on request of summary financial reports, actuarial valuations
- More detailed backup data to employers that request withdrawal liability estimates
- **Issues**

Other Matters

- Effective date would allow plans that cut benefits to keep promises made to restore them, if contributions go up, under the old funding rules
- Streamlined withdrawal liability rules
 - Repeal of “trucking industry” special rule
 - Repeal of limits on liability when employer is insolvent or selling all assets
 - More flexibility for construction-industry plans
- Permission to change benefit-suspension rules
- **Issues**

Legislative Update: What's Next?

