

**Chris Netram**

*Vice President,  
Tax and Domestic Economic Policy*

September 4, 2018

The Honorable Orrin Hatch  
Co-chair  
Joint Select Committee on Solvency of  
Multiemployer Pension Plans  
United States Senate  
Washington, DC 20510

The Honorable Sherrod Brown  
Co-chair  
Joint Select Committee on Solvency of  
Multiemployer Pension Plans  
United States Senate  
Washington, DC 20150

Dear Senator Hatch and Senator Brown:

The National Association of Manufacturers (NAM) appreciates the opportunity to provide input to the Joint Select Committee on Solvency of Multiemployer Pension Plans as it considers how to address the urgent, and worsening, multiemployer pension crisis.

As you know, the looming multiemployer crisis carries potentially dire implications for millions of retirees, including many current and former workers represented by the NAM. It also could prove devastating to thousands of businesses, like the many manufacturers we represent, not to mention our economy as a whole. This is a problem that needs the right solutions, and quickly. Fortunately, the Joint Committee and Congress *can* solve this problem. We believe that a comprehensive, bipartisan solution is certainly within reach through the approach outlined in our recommendations below. We urge the Joint Select Committee to take swift and appropriate action that addresses this urgent crisis comprehensively.

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The perfect storm of the Great Recession and the influx of baby boomers reaching retirement age has brought the multiemployer pension system to the brink. The stock market crash cratered the holdings of long-standing pension plans at the worst possible time, just as plans began having to pay more in benefits out of a decimated investment pool as baby boomers retired en masse. This dynamic also meant that the plans were unable to leave investments in the market and recover value as the economy recovered – doing serious long-term damage to their viability. Meanwhile, the financial crisis drove many companies out of business, endangering the retirement security of millions of workers and retirees.

The Pension Benefit Guaranty Corporation (PBGC), as you know, was created by the Employee Retirement Income Security Act (ERISA) in 1974 to provide a backstop for retirees and workers in the event of employer bankruptcy, withdrawal from a plan, or plan insolvency. Since its founding, the PBGC has paid earned benefits to millions of hard-working Americans who now rely on its guarantees for a secure retirement. Today, however, the PBGC Multiemployer Program is itself on the edge of insolvency.

The combined impact of failing multiemployer plans and an insolvent PBGC Multiemployer Program is serious and, in the absence of positive action to solve the problem today, could soon prove

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devastating for millions of Americans. That is especially true for the 10 million participants and their families who rely on more than 1,400 plans in the multiemployer pension system.

The PBGC classifies 130 multiemployer plans as having reached Critical and Declining Status – meaning that their 1.3 million participants will face plan insolvency within the next decade. The PBGC Multiemployer Program, meanwhile, is projected to be insolvent by 2025, so there will be little to no backstop for workers and retirees when these plans fail. Further exacerbating the problem is the fact that many employers who contribute to Critical and Declining plans are also plan sponsors in less-endangered plans. In other words, bankruptcy of a company caused by the insolvency of a Critical and Declining plan could mean a loss of that company's contributions to the healthier plans in which it is a sponsor, potentially tipping those additional plans toward Critical and Declining Status and other sponsors toward a crisis of their own – a spiraling contagion that could devastate the lives of millions of workers and retirees. Without reforms today, retirees could see significant benefit cuts and employers could be forced out of business, resulting in substantial job losses, a further loss of retirement security for workers and retirees, and a devastating impact on the U.S. economy.

We at the NAM represent the 12 million men and women who make things in America. Many of these workers are participants in a multiemployer plan, and they are counting on their pension benefits for a secure retirement. These are the very Americans who are likely to get hurt most if Washington fails to solve this problem while there is still time. Likewise, many NAM member manufacturers are sponsors in multiemployer plans. Some currently face pension liabilities in excess of the value of their company, while others could see increased risk as other plan sponsors fail and leave them holding the bag for an ever-increasing pool of retirees.

This is why the NAM is urging the Joint Select Committee today to take action to address the urgent, and worsening, multiemployer pension crisis. The Joint Select Committee was established by Congress to craft a bipartisan solution to this challenge, and it now has a unique and historic opportunity do so. We believe the Joint Select Committee and, ultimately, Congress can put the multiemployer pension system on a path to stability and provide security to employers, retirees, and workers alike by taking swift action and adhering to the following principles:

**Work expeditiously to prevent a deeper crisis in coming years.**

A comprehensive solution should protect middle-class Americans' retirement benefits and put the multiemployer pension system and the PBGC Multiemployer Program on a path to solvency – not just because this is the right thing to do, but because it is also the surest way to guard against a deeper crisis and rescue legislation in the coming years.

**Ensure a fair resolution that safeguards the health of the system for years to come by requiring all parties in the system to contribute.**

No one stakeholder can bear the full weight of a truly comprehensive solution given the widespread impact of the problems the multiemployer pension system is facing. Already, employers have seen contributions and PBGC premiums rise, and workers and retirees have experienced benefit reductions and reduced accruals. As the crisis deepens, significant portions of the economy are at risk if failing plans cause employers to go under and workers to lose their jobs – so a comprehensive multiparty solution is vital.

**Protect the health of the single-employer system.**

Many manufacturers sponsor single-employer pension plans, which are insured by the PBGC Single-Employer Program. This system is not in crisis. Increasing premiums for single-employer plans to “pay for” unrelated expenditures (as has been tried in the past through a budgeting technique to make them appear “on budget”) would only worsen the problem by jeopardizing coverage for millions of Americans currently in those plans. Under no circumstances should funds contributed to the single-employer trust fund by single-

employer plan sponsors be used for any purpose other than ensuring benefits for participants and former participants in single-employer defined benefit plans.

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America is facing a crisis, and policymakers must come together to agree on a commonsense bipartisan solution. We believe that the principles listed above form the best foundation to reach such a solution, one that will both protect middle-class Americans' retirement benefits today and put the multiemployer pension system and the PGBC Multiemployer Program on a path to solvency in the future.

On behalf of the NAM and the 12 million men and women that make things in America, thank you for your attention to these concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Netram". The signature is fluid and cursive, with a prominent loop at the end.

Chris Netram  
Vice President, Tax & Domestic Economic Policy