November 21, 2018

The Honorable Orrin Hatch
Co-Chairman
Joint Select Committee on the
Solvency of Multiemployer Pension Plans
219 Dirksen Senate Office Building
Washington, DC 20510-6200

The Honorable Sherrod Brown
Co-Chairman
Joint Select Committee on the
Solvency of Multiemployer Pension Plans
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Dear Co-Chairman Hatch and Co-Chairman Brown:

Thank you for your leadership on the Joint Select Committee on Solvency of Multiemployer Plans and the careful attention the Committee is paying to the important issues it faces. However, we have grave concerns regarding the unintended, harmful consequences that would flow from several proposed changes under consideration by the Committee. Many of these proposed changes would significantly weaken our financially-sound Pension Plans and harm our ability to provide promised retirement benefits to more than 300,000 employees in the film and television industry.

Therefore, we are writing this letter on behalf of the Alliance of Motion Picture and Television Producers ("AMPTP"), Directors Guild of America ("DGA"), International Alliance of Theatrical Stage Employees ("IATSE"), Screen Actors Guild-American Federation of Television and Radio Artists ("SAG-AFTRA") and Writers Guild of America, East and Writers Guild of America, West (together, "WGA"). The AMPTP is the trade association responsible for negotiating 58 entertainment industry guild and union contracts on behalf of hundreds of motion picture and television producers.[1] The DGA, IATSE, SAG-AFTRA and WGA are labor organizations representing the creative and economic rights of directors, stageworkers, actors and singers, writers and others in the entertainment industry. Together the AMPTP and these labor organizations negotiate collective bargaining agreements covering hundreds of thousands of participants in multiemployer defined benefit pension plans, the vast majority of which are, and for the many decades of their existence have remained, financially sound.

Discount rate: The Committee should not require multiemployer plans to use the proposed approach to a lower discount rate in valuing their liabilities. Doing so would result in a very significant increase in each plan's liabilities and a corresponding drop in funding levels, despite the fact that the actual assets, future payment obligations and expected investment returns remain unchanged. The proposed changes to the discount rate would also force the vast majority of healthy, "green zone" plans into "critical" status. These healthy plans which are capable of meeting all their current obligations would

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[1] AMPTP members include CBS Studios Inc., Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Touchstone Television Productions, LLC d/b/a ABC Studios, Twentieth Century Fox Film Corp., Universal City Studios LLC, Walt Disney Pictures and Warner Bros.

be forced to implement harsh and otherwise unnecessary decreases in benefit accruals and/or exorbitant increases in employer contributions. This will ultimately limit the ability of plans to attract and retain employers, eroding the contribution base of these plans and ultimately the security of retirement benefits in the future.

Use of variable discount rate and limitations on asset smoothing and use of the credit balance: Requiring use of a market-based (*i.e.*, variable) discount rate, as well as limitations on asset smoothing and the use of the credit balance, will have similar results to the proposed changes in the discount rate. The limitations on the credit balance may themselves send healthy plans into "endangered" or "critical" status. Moreover, these changes will cause volatility in the required employer contributions from year to year. This is inconsistent with the rigid structure of multiemployer plan contributions. This is because contributions to multiemployer plans are governed by collective bargaining agreements, which reflect a carefully negotiated allocation of a total compensation package typically for a multi-year contract period. Contributions cannot be modified each year to react to the volatility associated with the proposed changes. Variability in obligations in plans that have long-term horizons will likely be unsustainable and undercut the viability of plans.

PBGC Funding: Premium increases of the magnitude described in the proposal are exorbitant and would be damaging to all funds. (By way of example, the impact on one large plan we studied is more than a 350% increase in premiums and more than a 40% increase in administrative expenses.) Because the variable rate premium is determined on a current liability basis, it will result in perfectly healthy plans in our industry paying millions more in premiums, despite the fact that they ultimately will not avail themselves of PBGC protection in any current realistic scenario. This will reduce the funds available to pay for retirement benefits, place pressure for unnecessary additional employer contributions, decrease reserves needed to weather future market downturns, and harm plans' ability to attract and retain employers.

Moreover, under the proposal, the employers and unions we represent will be burdened with millions of dollars in annual fees for which they have not budgeted, and retirees in our financially sound plans would also see their fixed pension benefits reduced by millions of dollars as a result of the new stakeholder retiree premium. Compounding that problem is the fact that a fee on employers and unions would be virtually impossible to administer in an industry in which participants work for multiple employers in short periods of time.

We understand the Committee's goals, but are concerned that the current proposals will create a far bigger problem, and threaten the continued viability of healthy employer and union sponsored plans and their current and future retirees. The proposed PBGC funding rules will intolerably compound the costs on employers, plans and participants, on top of the severe consequences that will result from the proposed discount rate and related minimum funding changes addressed above.

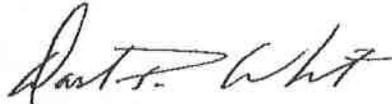
Exit premiums: The imposition of an exit premium is unworkable in an industry like the entertainment industry in which companies are leaving and joining the plans on a regular basis, with the departure of one employer usually being followed by the entry of another. For example, in the entertainment industry, many companies are created on a regular basis for single productions or projects and contribute to multiemployer plans for work performed on that basis. Imposing an exit premium in these circumstances would cause significant disruption to the industry.

We appreciate that this is a complex issue with no easy solutions. We support the Joint Select Committee's goal of addressing pension reform. However, we believe that reform must carefully consider the long-term health of multiemployer pension plans. We urge the Committee to avoid making sweeping changes to the funding rules and imposing exorbitant new premiums that would put stable, healthy plans in jeopardy.

Thank you for the opportunity to provide input and please let us know if you have any questions or would like additional information.

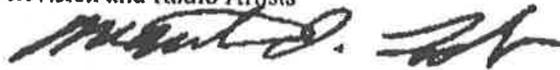
Sincerely,

Alliance of Motion Picture and Television Producers

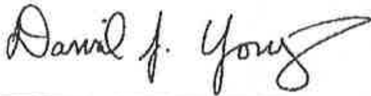


Screen Actors Guild-American Federation of Television and Radio Artists

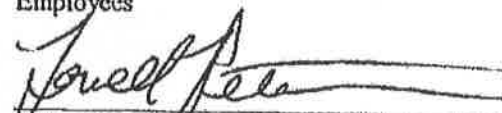
Directors Guild of America



International Alliance of Theatrical Stage Employees



Writers Guild of America West



Writers Guild of America East

cc:

The Honorable Mike Crapo
The Honorable Lamar Alexander
The Honorable Joe Manchin
The Honorable Rob Portman
The Honorable Heidi Heitkamp
The Honorable Tina Smith
The Honorable Bobby Scott
The Honorable Virginia Foxx
The Honorable Phil Roe
The Honorable Vern Buchanan
The Honorable Richard Neal
The Honorable David Schweikert
The Honorable Donald Norcross
The Honorable Debbie Dingell