PWGA
Pension & Health Plans
YOUR TRUSTED GUIDE

November 21, 2018

United States Senate and United States House of Representatives
Joint Select Committee on Solvency of Multiemployer Pension Plans

Sent via email to: JSCSMPP@finance.senate.gov

Dear Chairman Hatch and Chairman Brown:

As the CEO of the Producer-Writers Guild of America Pension Plan, I thank the members of the Joint Select Committee for your tireless work in crafting potential legislative solutions to assist the minority of multiemployer plans facing projected insolvencies over the coming decade, and PBGC in fulfilling its commitment to provide a meaningful guarantee of retirement income to millions of Americans.

However, I write to you to express our gravest concern that several proposals under consideration fail to meet the important guiding principle of "first, do no harm." The proposed changes currently under discussion would not result in a more secure multiemployer pension system but instead would significantly weaken hundreds of plans such as ours that are on sound financial footing and expected to fulfill their promises to current and future retirees.

Our jointly trusteed Pension Fund covers over 8,500 active and another 9,000 retired and deferred participants. Our over 1,000 contributing employers support local economies in all 50 States plus the District of Columbia.

Through thoughtful stewardship, our Pension Plan is currently in the green zone, as it has been in every year since the passage of the Pension Protection Act, with a funded percentage of 85.8% and no future projected funding deficiency. We are currently experiencing all-time highs in both the number of active participants and the level of annual contributions to the Plan. When we have faced funding concerns, we have taken steps to address them such as increasing contribution levels by over 40%, with all of the contribution increase being non-benefit bearing. In short, we are a multiemployer plan success story.

The proposed rules, widely circulated in a discussion draft late last week, would have a significant and immediate impact on our ability to continue to fulfill our promises. Our green zone certification would be a thing of the past, as our Pension Plan would immediately be certified in **endangered** status. Our Plan actuary estimates that, if this issue were addressed through contribution increases, for example, our Pension Plan would require at a minimum, a staggering **50%** increase over our current annual contribution amounts to emerge from endangered status in the required period, with all of those additional contributions non-benefit bearing.

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Moreover, the exorbitant proposed PBGC premium increases of over **300%** would increase our Pension Plan's overall administrative expenses by **over 20%**. Our contributing employers and our sponsoring unions would each be saddled with nearly **$200,000** in annual fees that have not been budgeted for, which risk being passed through to workers through reduced wages or benefits, and our retirees would see their fixed pensions reduced by nearly **$4,000,000** in annual benefit reductions to assist the PBGC as a result of the new stakeholder retiree premium.

Such exorbitant contribution increases would be impossible to secure from employers already negatively impacted by new fees and onerous new proposed withdrawal liability rules. The Pension Plan will therefore be compelled to significantly reduce future benefits levels, putting retirement further out of reach for thousands of hard working men and women across the country. The impact to our participants and contributing employers will reverberate throughout the economy in cities large and small across the country.

We believe that applying to multiemployer plans rules mirroring those used for single-employer pension plans fails to recognize unique characteristics of multiemployer plans; namely, that contributions are collectively bargained and fixed over multi-year contracts, and therefore cannot be modified each year to react to the annual volatility inherent in investment markets and interest rates. Further, the use of the corporate bond rate bears no relationship to the experience of plans like ours, which have a long-term investment horizon. The actual investment return of the Plan from August 1, 1987 through September 30, 2018 is 8.6%, which exceeds the discount rate used by the Plan under the current rules, as does our investment consultant's projected return over the next 30 years.

As active members of the multiemployer community, we support the Joint Select Committee's mission to provide solutions to the minority of plans that are facing impending insolvencies and to the PBGC in helping it fulfill its obligations as a safety net against vanishing pensions. However, we urge the Committee to avoid the type of sweeping changes to the funding rules currently under consideration that would put stable, healthy plans like ours in jeopardy and instead to listen to input from stakeholders who have successfully maintained well-funded multiemployer plans for more than a generation. We are eager to assist you in that endeavor and refer you to our letter dated July 10, 2018 (from the Multiemployer Pension Alliance), which provided what we believe to be a sensible approach to addressing the issues facing the Committee.

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

Respectfully,

Jim Hedges, CEO Producer-Writers Guild of America Pension Plan

cc: Joint Select Committee on Solvency of Multiemployer Pension Plans