

ORAL TESTIMONY OF GENERAL SECRETARY ERIC DEAN OF THE  
INTERNATIONAL ASSOCIATION OF BRIDGE, STRUCTURAL, ORNAMENTAL  
AND REINFORCING IRONWORKERS ON WEDNESDAY, JUNE 12, 2013 AT 10:00  
A.M.

My name is Eric M. Dean. I am the General Secretary of the International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers. I am a graduate of Lane Tech High School and attended UIC briefly before joining the Apprenticeship Program as a fourth generation Local 63 Iron Worker. I completed the Ironworkers Apprenticeship Program and went on to become a Journeyman, Foreman, Apprentice Instructor, Conductor, Trustee, Vice President and Business Agent in Local Union No. 63. As a representative of Local Union No. 63, I was a defined contribution trustee for the Architectural Iron Workers Local 63 Health and Welfare Fund and Iron Workers Mid-America Pension Fund, as well as the Apprenticeship Training Fund. In 1999, I became a General Organizer for the International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers overseeing the Department of Ornamental, Architectural and Miscellaneous Metals. In addition to this position, in 2005, I became President of the Chicago and Vicinity District Council of Iron Workers. I was appointed 9<sup>th</sup> General Vice President of the Iron Workers in 2008. On February 1, 2011, I became General Secretary of the International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers. In August 2012 I was elected by the Delegates to the 42<sup>nd</sup> International Convention as General Secretary for a five-year term. In February 2013, I graduated from the Harvard Trade Labor Program. As General Secretary, I am a Trustee for the Ironworker Management Progressive Cooperative Trust (IMPACT), National Ironworkers and Employers Apprenticeship Training and Journeyman Upgrading Fund (N.I.E.A.T.J.U.F.), the Bridge and Iron Workers Staff Retirement Plan and the International Association Full-Time Salaried Officers and Employees of Outside Local Unions and District Council Pension Plan.

On behalf of the International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers and our industry, I am here on behalf of General President Walter Wise representing our Union as well as a number of ironworkers to lend our support to the National Coordinating Committee for Multiemployers Plans' (NCCMP) recommendations as we move forward towards solutions to our industries' current challenges.

The Ironworkers are not alone in recognizing the need for comprehensive action to be taken to assure pension benefit promises are met and are allowed to deliver a set of new pension laws which would allow for acting more expeditiously in remediating funding issues caused by the unprecedented "twice in a decade collapse of the markets" resulting in an erosion to assets held in our pension trusts.

The current laws require a virtual draw down of all assets prior to rehabilitation remedies being allowed to go into effect. We strongly support the proposal by the NCCMP which we and our employers participate in as stake holders in the construction industry. While there are provisions that can't cover every scenario as in the saying "no one size fits all,"

our proposal attempts to address several areas of importance that will result in meeting the challenges faster and offering benefit levels greater than the minimum level of protection offered currently. NCCMP's recommendations would be optional to bargaining parties. We seek no taxpayer financial support. NCCMP's recommendations would implement efficiency and allow for harmonization with Social Security which Congress saw as a prudent step long ago. Their recommendations would allow distressed sponsors the ability to provide benefits greater than the current PBGC levels. Their recommendations would also allow for innovation and new plan designs not currently allowed for in traditional Defined Benefits (DB) and Defined Contribution (DC) plans. I have included an outline for your review which is my attempt not to monopolize your time. In summary, the key elements of our plan include income security for the participants while reducing financial risk for the plan and its sponsors.

Members of Congress, the ironworking industry and specifically our Union needs you to understand the needs of our members and employers as you consider the recommendations of the NCCMP which will ensure that all multiemployer pension participants enjoy the dignity of retirement security and its plan sponsors the ability to operate, maintain and improve the pension systems our members justly deserve.

Thank you for your consideration.

Outline is attached.

## NCCMP Retirement Security Commission – Fact Sheet

### Process Overview

- First Commission meeting in August 2011
- Approximately 40 participating groups
  - Unions
  - Employer associations and large individual employers
  - Multiemployer plans
- Proposal has broad support from both sponsoring companies and employee organizations

### Guiding Principles of Proposal

- Primary objectives
  - Protect retirement income security for participants
  - Reduce financial risks to the contributing employers
- Themes of proposal
  - All recommendations are optional on the part of the plans and bargaining parties
  - Proposal allows multiemployer community to meet its challenges without relying on taxpayer financial assistance

### Main Areas of Proposal

- **Preservation** – Common sense measures to make current multiemployer defined benefit system more efficient and effective
  - Allow plans to harmonize retirement ages with Social Security
  - Encourage plan mergers to reduce administrative costs
  - Resolve conflicts, inconsistencies, and ambiguities in current law
- **Remediation** – Measures to address deeply troubled multiemployer plans
  - Some multiemployer plans have experienced irreparable harm
    - Investment losses
    - Economic shifts and recession
    - Conflicting government policies
  - Plans facing inevitable insolvency need additional tools to remain viable
    - Preserve benefits above PBGC guarantee level
    - Plan survives to provide benefits to future generations
- **Innovation** – measures to foster new and innovative plan designs
  - Neither Defined Benefit (DB) or Defined Contribution (DC) plans meet needs of all stakeholders in all circumstances
  - Current rules and regulations narrowly classify plans into these categories
  - Proposal allows for plan designs and risk sharing structures that are neither DB nor DC

## **NCCMP Retirement Security Commission Preservation – Measures to Strengthen the Current System**

### Allow Plans to Harmonize Retirement Age with Social Security

- Longevity has increased in recent decades
- Social Security has recognized this trend through increases in the retirement age
- Pension plans have remained unable to adopt retirement ages beyond age 65
- Commission proposal allows plans to harmonize retirement age with Social Security
  - Use of this provision is optional for plans
  - Provision would not apply to participants in payment status or close to retirement

### Facilitate Mergers

- Many small plans would be financially stronger if they could access the economies of scale available to larger plans
- Commission proposal clarifies that PBGC has authority to use its assets to facilitate mergers
- Proposal also creates new type of merger called an Alliance
  - Under an Alliance, plans share common administration and investment structure
  - Legacy costs of plans remain separate and distinct
  - Smaller plan benefits from reduced costs, while larger plan does not take on additional liabilities

### Remove Disincentive for Companies to Fund Pension Liabilities

- One factor in determining a withdrawal liability assessment is the contribution rate
- A higher contribution rate results in a higher assessment
  - This is true even if the additional contributions earn no benefit accrual
- The result is that taking action to better fund a plan increases a company's exposure to withdrawal liability
- Commission proposal ensures companies are not penalized for funding plans

### Other Recommendations to Strengthen the Current System

- Give troubled plans earlier access to red zone tools
- Specify that funding relief will be available in the event of future dramatic market losses
- Simplify zone status determinations and address technical inconsistencies
- Close a gap in the PBGC coverage of benefits paid to spouses of deceased participants
- Clarify that ad-hoc payments to pensioners do not create an on-going commitment from the plan

## **NCCMP Retirement Security Commission Remediation – Measures for Deeply Troubled Plans**

### Background

- Various factors have contributed to the challenges facing multiemployer plans
  - Inability to store market gains due to maximum deductible limitations
  - Shifting government policies that inadvertently affected multiemployer plans
    - Carrier Regulatory Reform and Modernization Act of 1980
    - Clean Air Act
  - Dramatic market declines in 2000 – 2002 and again in 2008
  - Recession that began in 2008, the effects of which continue today
- While most plans are making progress towards recovery, a small number of plans will inevitably exhaust their assets (i.e. become insolvent)
- An estimated 5% to 7% of multiemployer plans face insolvency

### Impact of Multiemployer Plan Insolvency

- When a multiemployer plan exhausts its assets, the Pension Benefit Guaranty Corporation (PBGC) provides financial assistance
- The maximum annual benefit the PBGC will support for a full career employee is \$12,870
  - Many plans covering middle class workers provide benefits well in excess of this amount
  - The comparable figure for a single-employer plan is \$57,477
- There are currently two very large multiemployer plans that are likely to become insolvent
  - Either of these plans will rapidly consume all of the PBGC's multiemployer assets
  - The PBGC is not backed by the US Treasury
  - In the absence of Congressional action, it is likely that within the next 15 years participants in insolvent multiemployer plans will lose their entire benefits

### Commission Proposal

- Action is necessary now to prevent multiemployer plan insolvencies
- The trustees of plans facing insolvency should have the authority to suspend a portion of the accrued benefits (including for retirees), subject to the following conditions:
  - The trustees and plan sponsors have taken all reasonable measures to avoid insolvency
  - Despite these measures insolvency is still inevitable
  - The proposed suspensions preserve benefits above the PBGC guarantee level
  - The suspensions are projected to be sufficient to prevent insolvency
  - The PBGC supervises the process and verifies that the preceding conditions are met
  - In the event of subsequent positive experience, any benefit improvement for non-retired participants is accompanied by a comparable restoration of suspended benefits

## **NCCMP Retirement Security Commission**

### **Innovation – Measures to Foster New Plan Designs**

#### Background

- Every plan in place today is either a Defined Benefit (DB) or a Defined Contribution (DC) Plan
  - Many employers have become unwilling to accept the financial risk of DB plans
  - DC plans are highly inefficient vehicles for providing retirement security to participants
- Why are employers suddenly unwilling to sponsor multiemployer DB plans?
  - Growth of retiree populations has greatly increased the financial risks for the sponsors
  - Recent market downturns have placed a spotlight on the risks
  - Misleading accounting and ratings agency analyses have made it far more difficult for multiemployer plan sponsors to obtain credit and bonding
- The Commission supports legislation and regulations that will facilitate new approaches to plan design and risk management

#### Variable Defined Benefit Plans

- At retirement, participant receives greater of two benefits:
  - Floor benefit, which is established using very conservative actuarial assumptions
  - Variable benefit, which moves up and down based on actual asset performance
- Participant receives value of market gains through the variable benefit
- In no event will a participant receive less than the floor benefit
- At retirement, benefit amount becomes locked-in through either a dedicated bond portfolio or an annuity contract purchased from an insurance company

#### Target Benefit Plans

- Operate very much like current multiemployer defined benefit plans
- Funding standards more stringent than current standards
  - Full funding is achieved at 120% of liabilities (as opposed to 100% today)
  - Benefit improvements prohibited unless plan is projected to reach 120% target
- Plan does not include the concept of withdrawal liability
  - Employer obligation to plan is limited to collectively bargained contributions
- Plan benefits are classified as core benefits or non-core benefits
  - Core benefits include annuities payable at normal retirement age
  - Non-core benefits include early retirement subsidies, post-retirement increases, etc.
- In the event the plan is unable to reach 120% target, trustees have authority to adjust non-core benefits (including for retirees)
- Core benefits payable to retirees are protected unless plan is facing insolvency