NATIONAL TAXPAYERS UNION
50TH ANNIVERSARY

July 9, 2019

The Honorable Richard Neal, Chairman
The Honorable Kevin Brady, Ranking Member
House Ways & Means Committee
1102 Longworth House Office Building
Washington D.C. 20515

Dear Chairman Neal, Ranking Member Brady, and Members of the Committee:

On behalf of National Taxpayers Union, I write to encourage substantial modifications to H.R. 397, the Rehabilitation for Multiemployer Pensions Act, and urge you to pursue solutions to the multiemployer pension plan (MPP) crisis that are prudent, determined, patient, and gradual. As written, H.R. 397 does not adequately reflect these qualities.

We appreciate the Committee's willingness to tackle the failing state of MPPs. As Chairman Neal said when introducing H.R. 397, around 1.5 million Americans are in MPPs that are running out of money.[1] The Congressional Research Service (CRS) noted last year that the total underfunding for MPPs was $560.3 billion in 2015.[2] These liabilities put a secure retirement at risk for millions of American workers. With time, failing pension plans will be less and less able to rely on support from the Pension Benefit Guaranty Corporation (PBGC), which is very likely to reach insolvency during fiscal year (FY) 2025.[3]

Unfortunately, H.R. 397 falls short of achieving the structural changes needed to help MPPs avoid insolvency, and will only put further strains on a struggling PBGC. Not only does the bill fail to insist on good-faith benefit reductions for plan participants, it reverses prudent reductions agreed to in the Multiemployer Pension Reform Act (MPRA) of 2014. We believe that H.R. 397 will hurt workers in the long run, by allowing plan sponsors to double down on unrealistic promises and assumptions. H.R. 397 could also increase deficits by $100 billion over 10 years, and far more over the 30-year timeframe for repayment of the loans that the new Pension Rehabilitation Administration (PRA) will make to MPPs.[4]

Fortunately, there is a path to a better deal that secures the future retirements of American workers by enacting prudent and gradual reforms to MPPs. We outlined possible reforms in a letter sent to the Joint Select Committee on Solvency of Multiemployer Pension Plans last year:

---

[1] House Ways & Means Committee. (2019). "Neal Introduces Bipartisan Legislation to Address Multiemployer Pension Crisis." Retrieved from: https://waysandmeans.house.gov/media-center/press-releases/neal-introduces-bipartisan-legislation-address-multiemployer-pension (Accessed June 20, 2019.)

[2] Topoleski, John J. "Data on Multiemployer Defined Benefit (DB) Pension Plans." Congressional Research Service, August 10, 2018. Retrieved from: https://fas.org/sgp/crs/misc/R45187.pdf (Accessed June 20, 2019.)

[3] Pension Benefit Guaranty Corporation. (2018). "FY 2017 PBGC Projections Report." Retrieved from: https://www.pbgc.gov/sites/default/files/fy-2017-projections-report.pdf (Accessed June 20, 2019.)

[4] Topoleski, John J. "H.R. 397 (116th Congress), the Rehabilitation for Multiemployer Pensions Act." Congressional Research Service, March 22, 2019. Retrieved from: https://fas.org/sgp/crs/misc/IF11144.pdf (Accessed June 20, 2019.)

- Avoid the bailout mentality. Infusions of cash from the Treasury with few restrictions tend to characterize overreaction rather than corrective action.

- Require PBGC to more fully embrace risk pricing and other management tools to safeguard against liability surprises in the future. Portions of PBGC's operations have appeared on the Government Accountability Office's High Risk List for over a decade, one reason being PBGC's uneven implementation of these risk management practices.

- All stakeholders must be required to contribute to a solution. This includes a uniform, significant benefit reduction to show good faith in the reform effort. Indeed, beneficiaries themselves have the greatest advantage in accepting this adjustment: doing so will secure their future retirement.

- If the Committee is to propose Treasury loans as a bridge to solvency, the risk to taxpayers must be minimized. The loans must be collateralized with real-world assets that ensure the loans will be entirely repaid over a term measured in years rather than decades. They must also be backed by a risk reserve pool funded by modest premium increases and higher membership fees.

H.R. 397 can be modified to more fully reflect these precepts. In so doing, the bill could more readily complement the bipartisan work of the Joint Select Committee, which nearly succeeded in crafting an MPP overhaul package in the previous Congress. We hope that Members of the Committee can work together on amendments that help achieve prudent, determined, patient, and gradual reforms to failing MPPs. Millions of Americans are depending on it, and millions more are depending on desperately-needed reforms to the PBGC before its insolvency in FY 2025.

Thank you for your consideration, and should you have any questions, I am at your service.

Sincerely,

Andrew Lautz
Policy and Government Affairs Associate