



AMERICAN ACADEMY *of* ACTUARIES

May 15, 2020

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
U.S. Capitol, H-232
Washington, DC 20515

The Honorable Kevin McCarthy
Republican Leader
United States House of Representatives
U.S. Capitol, H-204
Washington, DC 20515

RE: H.R. 6800, the *Health and Economic Recovery Omnibus Emergency Solutions Act* (“HEROES Act”)—Multiemployer Pension Plan Provisions

Dear Speaker Pelosi and Leader McCarthy:

On behalf of the Pension Practice Council (PPC) of the American Academy of Actuaries,¹ we commend members of Congress for their continued work toward multiemployer pension plan legislation to ensure the viability of the multiemployer pension fund system without overburdening healthier funds or their constituents.

Multiemployer plans have allowed millions of American workers to retire with reliable lifetime income that most would have been unable to achieve without these plans. But the system has generally proved not to be resilient enough to withstand the combination of demographic trends, industrial shifts, and economic declines that have occurred in recent years.

Policymakers face a dual challenge. Action is needed to address the looming crisis that will occur when both plans and the Pension Benefit Guaranty Corporation (PBGC) exhaust their resources and reach the point of insolvency. The multiemployer system also needs structural change so it can continue its important mission of providing retirement income to people who

¹ The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

need it, while also ensuring that the system does not fall into crisis again. The sooner there is action, the less painful the corrective measures may be.

There are roughly 125 multiemployer pension plans covering more than 1 million participants in “critical and declining status,” which generally indicates they are expected to fully exhaust their assets within 20 years. The number of critical and declining plans is likely to significantly increase due to the impact of the global COVID-19 pandemic. As a result, more than a million participants face the possibility of losing their retirement benefits. In addition, economic conditions resulting from COVID-19 will cause some plans to face potentially onerous contribution and benefit changes as a result of a change in their Pension Protection Act (PPA) zone status and immediate changes to their Funding Improvement or Rehabilitation Plan.

The retirement provisions in the HEROES Act in Division D (the “Emergency Pension Plan Relief Act of 2020”) and Division N (the “GROW Act”) contain a number of important multiemployer provisions that address these issues.

The special partition relief in the HEROES Act will have a powerful stabilizing effect on distressed multiemployer plans and the PBGC, and would allow plans to pay full retirement benefits to more than a million participants who are currently in danger of losing their benefits. This relief should carefully weigh the protection of accrued benefits and the special partition relief eligibility criteria with the cost of the legislation.

Similarly, the HEROES Act should ideally consider the source of appropriations necessary for PBGC to provide the special partition relief, as well as administration and operating expenses. A balance between general taxpayer revenues and increases in PBGC premiums would allow the continued viability of the multiemployer system without overburdening plans or their participants.

Finally, the HEROES Act provides welcome relief similar to what was provided after the 2008 Great Recession. Under these provisions, plans would have the option of phasing in the economic impact of COVID-19, which includes significant asset declines, reduced hours and contributions, layoffs, employer shutdowns, and in some cases employer closures.

The single-employer defined benefit system has, of course, also been affected by the pandemic. The rules governing this system are intended to balance near-term flexibility for plan sponsors with long-term risk management considerations to ensure the payment of benefits. In extraordinary times when immediate concerns demand greater attention, it is appropriate to revisit this balance. The proposed legislation will affect many stakeholders: plan sponsors, beneficiaries, PBGC, and taxpayers. The impact on these stakeholders should be carefully considered. Consideration of the legislation should ideally also differentiate relief addressing current, likely temporary concerns from actions intended to permanently alter the dynamics of the system. Further thought should also be given to continuing availability of appropriate disclosures on plan financial health regardless of decisions made based on the balance between stakeholders and short-term vs. long-term needs.

The mission of the American Academy of Actuaries is to inform public policy deliberations in a nonpartisan, objective way. As Congress proceeds with the HEROES Act, the American Academy of Actuaries' Pension Practice Council is available to assist lawmakers and their staffs as they work to address these difficult challenges.

We would welcome the opportunity to discuss more detailed observations with you. If you have questions or would like to meet with us, please contact Philip Maguire, the Academy's pension policy analyst (202-785-7868 or maguire@actuary.org).

Sincerely,

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cc: Committee on Ways and Means
Members of the U.S. House of Representatives