International Brotherhood of Electrical Workers

Local Union #222

17846 North US Highway 441
Reddick, FL 32686-2726
Tel: (352) 591-3332
Fax: (352) 591-3270
Website: www.ibew222.org
E-Mail: office@ibew222.org

William (Bill) Hitt
Business Manager and
Financial Secretary

May 14, 2020

Dear Brothers and Sisters:

As many of you are aware, in 2019 our elected officials in Congress attempted to gut our multi-employer pension funds. Due to the grass-root efforts of all union members around the country, including emails and phone calls to Representatives, we were able to beat that initiative back. Unfortunately, like every idea that attacks the working-class citizen, this idea has been recycled and reintroduced. This time they are attaching it to the stimulus package that is about to come out – the very package they are saying will help the unemployed workers who are affected by COVID-19 is the one to which they are attaching this attack on our retirement funds.

Please see the attached highlighted IBEW fact sheet and letter to congress from IBEW International President Stephenson. I am asking that you read the letter, go over the fact sheet, and call or email your representative asking them to remove the GROW ACT from the next stimulus package.

As a group we were able to band together and beat this last time. I feel confident that with the same enthusiasm we can defeat the GROW ACT and still expect our representatives to put out a stimulus package that helps our unemployed brothers and sisters.

Fraternally yours,

Will Hitt

William F. Hitt

Business Manager

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS

900 Seventh Street, NW
Washington, DC 20001
202.833.7000
www.ibew.org

LONNIE R. STEPHENSON
International President

KENNETH W. COOPER
International Secretary-Treasurer

April 9, 2020

VIA E-MAIL

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Charles Schumer
Minority Leader
U.S. Senate
Washington, D.C. 20510

Dear Speaker Pelosi, Majority Leader McConnell, Leader McCarthy and Leader Schumer:

On behalf of the over 775,000 active and retired members of the International Brotherhood of Electrical Workers (IBEW), I want to thank you for your rapid response to the current public health, economic and financial crisis caused by the COVID-19 pandemic. The Families First Coronavirus Response Act and CARES Act that Congress recently passed are an important first step toward economic stimulus and stabilization and provide important relief to IBEW members and their employers.

As Congress considers additional legislation to respond to the current pandemic, the IBEW urges you to address the growing crisis in the multiemployer pension system that over 10.4 million Americans rely on for their retirement security. The current COVID-19 pandemic and mandated shutdown of large parts of the economy have exacerbated the multiemployer pension crisis, requiring that Congress act to ensure millions of Americans can retire with dignity.

During the negotiations of the CARES Act, Senate Democrats put forward a thoughtful proposal, the Emergency Pension Plan Relief Act, that would create a special partition program under the Pension Benefit Guaranty Corporation (PBGC) to help struggling multiemployer pension plans. This proposal would allow plans in need of assistance to recover over the long term and protect retirees in struggling plans from onerous cuts to their hard-earned pensions. The legislation would also provide much needed temporary relief for multiemployer plans not in critical status due to the recent decline in the financial markets. The IBEW believes this proposal is the best vehicle to pursue multiemployer pension reform and I urge Congress to include the Emergency Pension Plan Relief Act in its next pandemic response legislation.

The IBEW has grave concerns over the possible inclusion of composite plans, as would be created in the GROW Act, in any multiemployer pension reform legislation. Composite plans run counter to the stated goals of reforming the multiemployer pension system, and in fact, would undermine the retirement security of participants and further destabilize the multiemployer system. Composite plans would allow trustees from a healthy existing plan to create a new composite plan that would provide inferior benefits. Funding two plans out of a single source of funds sets up both the existing plan and the new plan for failure and leaves neither plan with enough money to pay for benefits earned through years of hard work. Workers and retirees would be subject to dramatic cuts in

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times of economic downturn, such as the one our nation is currently facing. In addition, composite plans would create a new solvency crisis for the PBGC by allowing employers to withdraw from existing plans without paying their fair share of plan liabilities, which would leave fewer employers to fund existing plan benefits, and exempt new composite plans from paying PBGC premiums. The combination of employer withdrawals and increasing liabilities at the same time would very likely accelerate the PBGC's solvency crisis and undermine the system as a whole.

The biggest contributor to the multiemployer pension crisis is the unfunded legacy liabilities of troubled plans. These liabilities "are attributable to employers that have exited the plans, either because of bankruptcy or business failure, and in most cases paid withdrawal liabilities insufficient to finance future benefits of remaining participants."[1] In order to ensure the stability of the multiemployer pension system going forward, Congress must reform corporate bankruptcy law to ensure that pension obligations are among the first claims to be paid when a company files for bankruptcy. Currently, the bankruptcy code places pension contributions behind other claims, including creditors and executive bonuses. The current system is fundamentally unfair to workers and their families, who deferred earned compensation in wages and health benefits for a secure retirement. The IBEW calls on Congress to take up bankruptcy reform and put working American families in their rightful place at the head of the line.

For IBEW members, a pension is more than just dollars and cents. It's a promise. In exchange for a lifetime of hard work and personal financial contributions, a worker and his or her family can count on a secure and respectable retirement. On behalf of the IBEW, I hope congressional leaders share our vision of a secure and respectable retirement and take this opportunity to pass thoughtful multiemployer pension reform.

Sincerely yours,

Lonnie R. Stephenson

Lonnie R. Stephenson
International President

LRS:nl
Copy to Sen. Charles Grassley
Sen. Ron Wyden
Sen. Lamar Alexander
Sen. Patty Murray
Rep. Richard Neal
Rep. Kevin Brady
Rep. Bobby Scott
Rep. Virginia Foxx

[1] "Multiemployer Pension Recapitalization and Reform Plan Technical Explanation," pp. 3.

MAY 2020

IBEW FACT SHEET

Composite Plans Will Cut Pensions, Bail Out Employers

The International Brotherhood of Electrical Workers (IBEW) opposes composite pension plans because they will sharply reduce pension benefits for current workers and retirees, eliminate employer withdrawal liabilities, and threaten the viability of the federal pension insurance program (the Pension Benefit Guaranty Corporation or PBGC).

WHAT ARE COMPOSITE PLANS AND THE GROW ACT?

Composite plans are hybrid pension plans that combine elements of the defined benefit and defined contribution ("401(k)") systems. The main features of composite plans are:

- Employer contributions would generally be stable and would not need to increase in response to investment losses.
- Participants would receive benefits for the lifetime of the participant.
- Participants' benefits would likely decrease if a plan's assets experienced investment losses.
- Composite plans would not be covered by PBGC insurance and would not receive financial assistance if a composite plan were to become insolvent and unable to pay participants' benefits.
- Composite plans would not require withdrawal liability, which is an exit fee employers in defined benefit multiemployer pension plans must pay, to leave the plan.
- Composite plans would be required to be funded at 120% of plan liabilities. Plans that are below this threshold would be required to take remedial action, including increasing employer contribution rates (negotiated by bargaining parties), reducing benefits for current workers, reducing future accrual rates and reducing retiree benefits.

The Giving Retirement Options to Workers (GROW) Act would allow current defined benefit multiemployer pension plans to switch to composite plans by taking funds out of current defined benefit plans to fund the new composite plans. Pension plans would be required to fund the older defined benefit plans and the new composite plans from the same pot of money.

A PLAN TO FAIL

Employers would have every incentive to pressure labor leaders to switch to composite plans during collective bargaining negotiations, especially during periods of economic downturn. The GROW Act acts as a backdoor bailout for employers who want to lower their pension contributions and eliminate their withdrawal liability from the pension system. These incentives, coupled with the lack of premiums to the PBGC, would deepen the current crisis in the multiemployer pension system and possibly lead to the failure of the PBGC's multiemployer pension insurance program.

A 2016 Obama-Biden Administration white paper that opposed a House plan to pass composites said:

> *The Administration is fundamentally concerned that [composite plans] would put workers' and retirees' existing pension benefits at greater risk and that the new type of pension it would create would unacceptably shift the risk to workers without adequate safeguards or transparency. It also weakens protections for plan participants by depriving them of insurance in case their plan fails.*

Western Conference of Teamsters modeling concluded:

> *A typical, mature composite must cut workers' on-going benefits by 70% and their previously earned benefits by 25% ... Additionally, the legacy plan must still cut workers' previously earned benefits by 21%.*

ASK

The IBEW urges House Democrats to pull the GROW Act out of the HEROES Act – the latest pandemic response bill – before it comes up for a vote.