



September 22, 2016

The Honorable Phil Roe  
Chairman  
Subcommittee on Health, Employment,  
Labor, and Pensions  
Committee on Education and the Workforce  
United States House of Representatives  
Washington, DC 20515

The Honorable Jared Polis  
Ranking Member  
Subcommittee on Health, Employment,  
Labor, and Pensions  
Committee on Education and the Workforce  
United States House of Representatives  
Washington, DC 20515

Dear Chairman Roe and Ranking Member Polis:

On behalf of the National Electrical Contractors Association (NECA), thank you for holding today's hearing to examine Chairman Kline's Discussion Draft to Modernize Multiemployer Pensions.

NECA is the nationally recognized voice of the electrical construction industry. Our organization represents 4,000 contractors, spanning 119 U.S. chapters in addition to several affiliated international chapters around the world. NECA chapters are signatory to 359 local unions of the International Brotherhood of Electrical Workers and its member companies contribute to both national and local pension plans. Since the early 1900s, NECA contractors have provided their workforce with competitive wages and health and pension benefits.

The unionized segment of the construction industry, including NECA contractors, has a substantial stake in the health and welfare of multiemployer pension plans. The industry comprises 54 percent of the total number of multiemployer plans and covers 37 percent of the system's 10 million participants.

NECA is grateful for Congress' passage of the Multiemployer Pension Reform Act of 2014 (MPRA), which provided important tools to plan trustees to avoid insolvency and devastating benefit reductions. Multiemployer plans are currently limited by statute to be established as either traditional Defined Benefit or Defined Contribution plans. Changing economic markets, an aging workforce, and astronomical withdrawal liabilities continue to hamper the ability of NECA contractors to stay competitive. Facing growing risks, employers are forced to consider paying their withdrawal liability, and may face bankruptcy if they were to exit the system. This harms retirees receiving benefits, saddles other participating employers with a larger financial burden, and weakens the system overall. Eliminating withdrawal liability moving forward is crucial to keeping employers in the multiemployer pension system.

NECA believes additional legislation is needed to further modernize the current system. We believe the discussion draft offered by Chairman Kline on September 9, 2016 would do exactly that through the authorization of innovative Composite Plans. Passage of this legislation would build on the MPRA reforms offering new and innovative structural designs that are necessary to ensure multiemployer plans can continue to provide a sound retirement benefit for our employees.

NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION

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The adoption of Composite Plans would be voluntary and subject to the collective bargaining process. While no current defined benefit plan would be required to adopt any of these provisions, Composite Plans would serve as an important tool that should be made available to plans who choose to take advantage of this option. In addition, when the collective bargaining process produces a decision to convert from a traditional defined benefit plan to a new plan design, the new plan design provisions would apply prospectively only. All of the current funding rules, benefit protections, zone status provisions, and withdrawal liability requirements, would continue to apply to the benefits earned in the traditional defined benefit plan up to the point of conversion. It is very clear from Chairman Kline's discussion draft that Composite Plans would apply prospectively only and legacy plans would be fully protected.

Since 1946, NECA has worked through the collective bargaining process to offer pension plans that would help bring security, dignity, and peace-of-mind to all plan participants. The National Electrical Benefit Fund (NEBF) is our national plan which benefits participants, retirees and surviving spouses. This plan serves over 502,000 participating individuals and has over 8,000 contributing employers, making it the fourth largest Taft-Hartley Pension Plan in the United States. In addition to NEBF, NECA contractors contribute to 123 local pension plans covering over 800,000 participants and beneficiaries in the construction industry, with total assets of roughly \$30 billion. Our joint labor-management, multi-employer pension plans have successfully provided coverage for millions of plan participants, retirees and surviving spouses, as well as its contributing employers. NECA urges Members of Congress from both sides of the aisle to support Chairman Kline's proposal and we look forward to working with you to ensure its passage this year.

NECA is thankful for the Committee's interest in the viability of the multiemployer pension plan system and urges the passage of legislation that authorizes new composite plans. We appreciate the opportunity to submit this statement for the record and look forward to continuing to work with Congress on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Marco A. Giamberardino". The signature is fluid and cursive, with a prominent loop at the end.

Marco A. Giamberardino, MPA  
Executive Director, Government Affairs

cc: U.S. House Committee on Education and the Workforce