STEPHEN E. SANDHERR, Chief Executive Officer

AGC of America
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
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December 8, 2015

The Honorable David Joyce
U.S. House of Representatives
Washington, DC 20515

Dear Representative Joyce:

We are deeply concerned that your bill, H.R. 4029 the Pension Accountability Act will significantly alter the Multiemployer Pension Reform Act of 2014 (MPRA) and thereby make the multiemployer pension plan system less secure. Last year's passage of MPRA was the culmination of a multiyear effort by both employer groups and unions to provide retirement security for millions and avert a financial crisis in multiemployer plans. We firmly believe that, if enacted, your bill will result in an increased number of failed multiemployer pension plans, putting plan participants' retirement security and the fiscal stability of the Pension Benefit Guaranty Corporation (PBGC) in jeopardy.

AGC opposes the Pension Accountability Act because participants and beneficiaries in defined-benefit pension plans could be misled into thinking that the procedural voting changes in the legislation will protect their benefits under their plans. Under MPRA, the locally operated pension plan's Board of Trustees, which is composed of an equal number of employer and union representatives, is responsible for determining when it is necessary to use MPRA's benefit reduction tools to protect the largest possible number of plan participants to the greatest extent possible. These trustees are in the best possible position to make this difficult decision and are bound by a fiduciary duty to take aggressive action when required. After careful consideration, a Board of Trustees is permitted to develop a "rescue plan" to implement benefit reductions under MPRA in a fair and equitable manner. The "rescue plan" must be approved by the Treasury Department. While potentially painful, a plan's proposed "rescue plan" is the only realistic option to save it from financial failure and help ensure it is able to continue to pay benefits to all plan participants and beneficiaries in the future.

Your bill, the Pension Accountability Act, will make it harder to make those tough decisions. The current voting rules require that a majority of all plan participants must vote to reject a proposed "rescue plan". The Pension Accountability Act would change the voting rules to require only a majority of those actually casting votes to reject a plan. This change will lead to fewer "rescue plans" being adopted since a smaller majority of plan participants would have to vote to reject the "rescue plan", leading to dire consequences for the stability of that plan and the PBGC as a whole.

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The assets in the PBGC multiemployer program are projected to be depleted by 2025. Insolvency of the PBGC would put the entire multiemployer system in jeopardy, potentially eliminating the retirement security of its 10.4 million participants. A plan insolvency is devastating to covered employees and contributing employers alike, and could produce a domino effect. Employers often contribute to multiple plans in multiple geographic regions. As one plan fails, employers are forced out of business and out of their other multiemployer plans. It is likely that the failure of a single plan would lead to the failure of thousands of businesses and the loss of hundreds of thousands of jobs.

AGC urges you to support existing law as provided by MPRA and oppose any legislation, such as the Pension Accountability Act, that would undermine, jeopardize, or delay the approval and implementation of any rescue plans.

Sincerely,

Stephen Sandherr