



Authorize Innovative Composite Plans to Modernize the Multiemployer Pension Plan System

Background:

The composite plan design combines key features of defined benefit and defined contribution plans. Like a traditional pension, composite plans provide workers with lifetime income and are more financially stable over the long term.

Since 1946, NECA contractors have contributed to the National Electrical Benefit Fund (NEBF), a viable pension plan that benefits participants, retirees, and surviving spouses. This plan serves more than 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.

Key Points:

- Composite Plans are voluntary. Authorizing the creation of a new type of retirement vehicle that combines the key features of defined benefit and defined contribution plans would provide plan administrators with a voluntary option that will serve to modernize and strengthen the multiemployer pension plan system.
- Composite Plans will provide secure lifetime retirement income for participants. Composite plans provide a lifetime benefit to workers through an annuity. By overfunding these plans at a target funded rate (assets over liabilities) of 120 percent, this structure grants peace of mind to workers who have seen the devastating effects of the 2008 financial crisis. The proposed composite plan design is so successful that it has been stress tested against a crisis of this magnitude and proved to remain sufficiently funded.
- There is no withdrawal liability for composite plans. By requiring the overfunding of plans and other securities, composite plans give employers greater certainty that they will not drive out business due to increasing costs or unexpected penalties by participating in the multiemployer system and the so-called “last man standing rule.” Withdrawal liability in the defined benefit plan is unchanged.
- Composite Plans are the future of the Multiemployer Pension System. Composite plans can only be utilized by plans that are in the “green zone.” Because of this, current failing plans remain the default offering. However, due to changing demographics, volatile markets, and a consolidated employer network, they should be viewed as a tool necessary for preparing the multiemployer system for the next generation of retirees entering the 85 percent of health plans.

NECA Asks:

- Authorize innovative composite plans to modernize the Multiemployer Pension System.
- Make structural reforms to withdraw liability to ensure contractors are not unduly burdened.