

The banner features a blue background with a pattern of white stars. On the left, there is a vertical strip showing the dome of the U.S. Capitol building. The text is centered in a white serif font. The year '2016' is displayed in large, light blue numbers on the right side.

# AMERICAN ACADEMY *of* ACTUARIES Annual Meeting and Public Policy Forum

NOVEMBER 3-4, 2016 ★ CAPITAL HILTON WASHINGTON, D.C.



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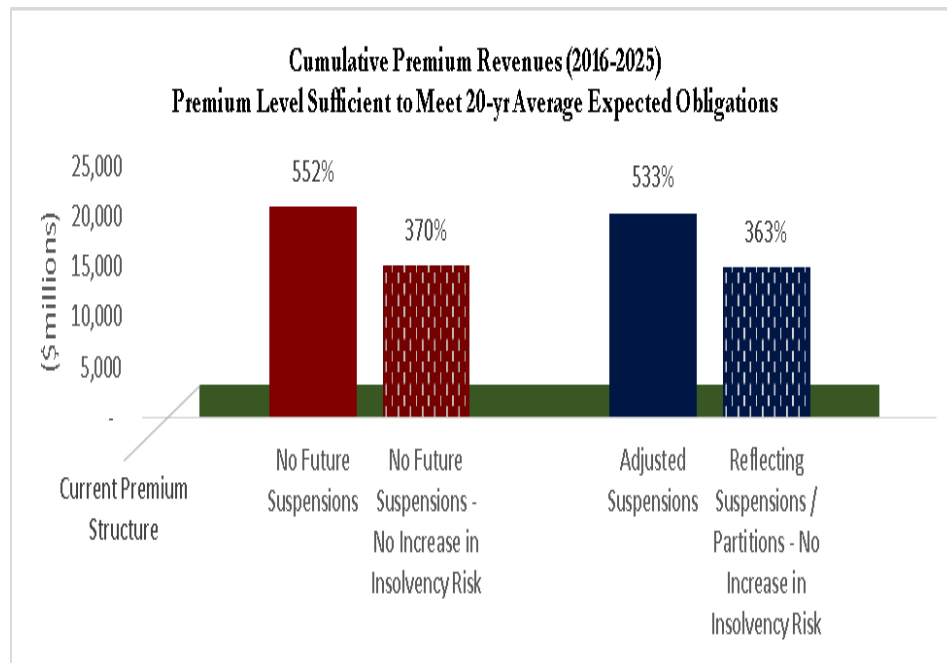
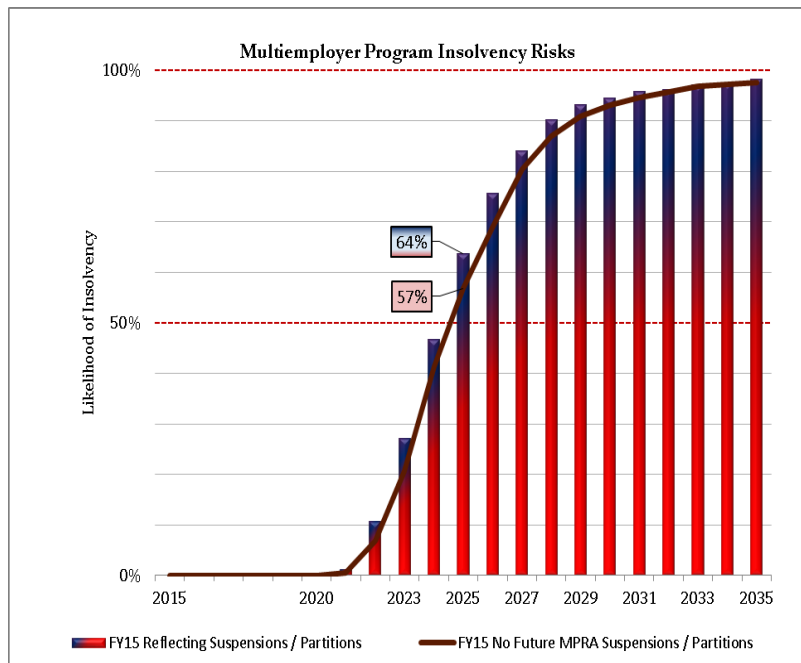
# What's Next for Multiemployer Pension Plans?



# Speakers

- Josh Shapiro (moderator)
  - Vice Chairperson of the Academy's Multiemployer Plans Subcommittee
- Alex Pollock
  - Distinguished Senior Fellow at R Street Institute
- Sandy Rich
  - Executive Director at New York City Board of Education Retirement System
- Karen Friedman
  - Executive Vice President and Policy Director at Pension Rights Center
- Kendra Kosko Isaacson
  - Senior Pensions Counsel, Senate HELP Committee for Sen. Patty Murray, Ranking Member

# MACRO: The Multi-employer Pension Problem



# MICRO: The Central States Problem



The continued solvency of the Central States Pension Fund requires increased assets, reduced liabilities, or some combination of the two. Because the PBGC plainly does not have the resources needed to pay benefits at the PBGC guarantee levels and meet its obligations to the workers and retirees participating in the Central States Pension Fund, Congress must act *now* to preserve, to the maximum extent possible, the pensions of participants in deeply troubled pension plans.

# WASHINGTON: The Political Problem

“We all know what to do, but we don’t know how to get re-elected once we have done it.”



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2016

# REGULATORY: Overreach

- The idea of a perfect solution or the supremacy of a regulator's opinion is not realistic or defensible
- The Regulatory regimes created by Treasury, DOL and the PBGC to adjudicate applications under MPRA are far too restrictive and do not contemplate the dynamics and uncertainties of the restructuring of a financial institution with long term liabilities

# MPRA Standards in Legislation and Regulation

## Legislation standard

Clearly erroneous

Reasonably estimated to achieve, but not materially exceed the level necessary to avoid insolvency

## Regulatory Decision Standard on Central States

Assumption of 7.5% return unreasonable

Inequitable distribution of benefit reductions

Notice to participants not understandable



# The Problem with the Central States Decision

The Assumptions are wrong

The Projections are wrong

The Models are wrong

The regulator substituting its judgment on the assumptions or distribution of benefit cuts for that of the Trustees is wrong

The regulator not engaging in the negotiated restructuring of a clearly irreparably damaged financial institution was wrong

# How Should an Application Be Judged?

## GOALS

Protect promised benefits

Protect insured benefits

Protect premium payers

# Why Should MPRA or Termination Authority Be Allowed to Work?

- Benefits can be protected at a level above the PBGC insured guaranty
- At risk cohorts, 75-year-olds and above and disabled are provided additional protections than PBGC insured benefit levels
- Premiums required to fund PBGC insured benefits, with no MPRA restructuring, may put at risk additional multi-employer pension plans

# What are Alternatives?

- \$55 Billion of cash over the next 5 to 10 years
- **Multi-employer Termination Authority**
  - Give Termination Authority to the PBGC similar to Single Employer authority under 4042 A 4, no new liabilities, all employers withdraw, benefits fall to guaranty level
  - Define Termination trigger as cash flow calculated “insolvency” inside of 15 years or some other measure of “unrecoverable impairment”
  - Redefine withdrawal liability as Terminated Liability for only Company employees legacy liabilities, giving payment terms

# Q & A