



AMERICAN ACADEMY *of* ACTUARIES

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Honorable Orrin Hatch  
Chairman  
U.S. Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510-6200

Honorable Ron Wyden  
Ranking Member  
U.S. Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510-6200

March 16, 2016

**Re: Senate Finance Committee March 1 Hearing on Multiemployer Plans -- The Multiemployer Pension Plan System: Recent Reforms and Current Challenges**

Dear Chairman Hatch and Ranking Member Wyden,

A multiemployer pension plan requesting benefit suspensions for participants under the Multiemployer Pension Reform Act (MPRA) is required to submit to the Department of the Treasury various actuarial projections. These actuarial projections are used to support whether or not the plan meets the criteria for critical and declining status and the criteria for benefit suspensions. To help inform the Senate Finance Committee's examination of the applications submitted to Treasury for suspensions and other multiemployer issues, the American Academy of Actuaries<sup>1</sup> offers its expertise.

The Academy's Multiemployer Plans Subcommittee is available to provide objective analysis, advice, and education to the Senate Finance Committee on this critical topic. Specifically, we can:

- Provide a clear understanding of how underlying actuarial assumptions and methods are selected in the MPRA application process, the relative impact of each assumption, and the related sensitivities. Public comments submitted regarding MPRA applications illustrate there are multiple perspectives that can be supported for selecting assumptions.
- Offer feedback on the viability of specific actions and strategies that are raised along with the pros and cons of each approach, thereby illuminating all sides of an issue.

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<sup>1</sup> The American Academy of Actuaries is an 18,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States

In the coming months, decisions will likely be made addressing MPRA's suspension of benefits provisions, long-term sustainability of some multiemployer pension plans, partitions with the Pension Benefit Guaranty Corporation (PBGC), and future multiemployer plan designs and structures (i.e., the "composite" plan design). The impact of these decisions will likely be significant for many individual participants. The decisions will affect whose benefits may be reduced, the level of benefit reductions, the viability of the PBGC support, the burden placed on current active participants and their employers for benefits provided to orphaned participants and prior generations, and the ongoing health of multiemployer pension plans.

These decisions involve complex actuarial issues at their foundation. Good legislative and regulatory decision-making can only be accomplished with a clear and complete understanding of these issues, and the initial post-MPRA agency decisions will set the stage for the future rulings.

We would be pleased to meet with you or your committee staff at your convenience. Collectively, our Multiemployer Plans Subcommittee represents the actuarial community and brings an in-depth understanding of the underlying actuarial principles that relate to these programs as well as firsthand experience working with a vast array of multiemployer plans. We hope you consider us as a valuable resource, focused on providing unbiased and clearly communicated insights and perspectives.

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We appreciate the opportunity to submit comments on this hearing. If you have any questions or need further information, please contact Matthew Mulling, pension policy analyst (mulling@actuary.org; 202-223-8196).

Sincerely,

Ted Goldman MAAA, EA, FSA  
Senior Pension Fellow  
American Academy of Actuaries