February 15, 2018

U.S. House of Representatives
Washington, DC 20515

Dear Representative:

I write on behalf of The Sheet Metal and Air Conditioning Contractors’ National Association (SMACNA) in support of H.R. 4997, The Giving Options to Workers (GROW) Act sponsored by Representatives Phil Roe (R-TN) and Don Norcross (D-NJ). The bill would modernize the multiemployer pension system by authorizing Composite Plans, a hybrid plan design which would bridge the gap between the existing Defined Benefit (DB) plan and the Defined Contribution (DC) plan.

The bill is a refreshing and bipartisan effort with support from labor and management. Taking a novel and proactive approach, the bill focuses on plans that are not going insolvent. Plans would have the option for change before they fail, protecting employers, workers, the taxpayer and the PBGC.

It is an innovative approach that would allow plans to voluntarily transition to a new plan design. This new approach would see participants in the retirement plan keep all the benefits they earned in the old system and move to a plan that still offers a lifetime benefit. With employers in this country rapidly deserting the defined benefit model for a defined contribution model, this would be an enormous step forward.

It is a private sector solution that still honors the collective bargaining process. No government money is requested or needed. SMACNA contractors and their labor partners are well-versed in the art of collective bargaining and the give and take that requires. H.R. 4997 would leave the decision to change in the hands of labor and management trustees.

It would benefit workers. The Composite Plan Design is tightly structured to protect benefits in the new plan with strict funding requirements so that benefit levels are protected and sustainable. The pending insolvency of too many defined benefit plans and the failure of businesses contributing to them sweeps away any illusion that the current DB system is the only way to provide retirement security for workers. Unlike DC plans, Composite Plan funds would be professionally managed, with risks pooled, to the benefit of the worker. Legacy plans were not an after-thought in the bill with thorough protections for them.

It would benefit employers. The sponsors of the bill understand what is at stake. The health of the Defined Benefit system depends on employers. Not every plan would make a change but in some plans, without change, employers will fail and others will exit the system. Every employer who leaves a plan further destabilizes it. H.R. 4997 would give employers the ability to offer lifetime benefits to their employees without risking the survival of their business.
Even with future negotiated contribution rate increases to properly fund the new plan or to provide benefit improvements, employers contributing to Composite Plans would have peace of mind knowing there would never be unfunded liabilities under the design. At the same time, employers would gradually be paying down the liabilities in the old plan, so they could bring the next generation into the business without fear of expanding liability and uncontrollable risk. In fact, H.R. 4997 would remove a significant barrier for attracting new employers.

SMACNA is supported by approximately 3,500 construction firms supplying expertise in industrial, commercial, residential, architectural and specialty sheet metal and air conditioning construction throughout the United States. The majority of these contractors run small, family-owned businesses, many of which are multi-generational, and contribute to the Sheet Metal Worker’s National Pension Fund (NPF). Many also contribute to a local pension fund. Pension funding issues figure prominently in their day-to-day business decisions and the position of defined benefit plans is precarious.

SMACNA employers are proud to provide good pay and good benefits to their workers and they have shown their willingness to provide and protect employee retirement benefits year after year. Their contributions to the Sheet Metal National Pension Fund are significant. Recent NPF records show SMACNA employers made contributions of over $546 million in 2017; over $502 million in 2016; over $460 million in 2015; over $424 million in 2014; and over $315 million in 2012. No employer wants to be the last one standing in a plan.

It is time to move Composite Plans forward. A good, secure retirement contributes to a Middle Class America and that helps the economy and makes America proud. We urge you to cosponsor H.R. 4997 and help get it passed without delay before more multiemployer plans and participants reach the point of no return.

Sincerely,

Vincent R. Sandusky
Chief Executive Officer