

LCAO Income Security Committee Meeting Minutes

May 30, 2018 at 2:30 pm

WeWork, 1440 G Street, NW, Washington, DC 20005

Conference Room 8A

Call-In #: 641-715-3200 p/w: 635743#

1. Anne Henderson, Senior Advisor for External Affairs, and Amy Viener, Acting Chief Policy Actuary, Pension Benefit Guaranty Corporation (PBGC)
 - a. Types of retirement plans
 - i. Defined Benefit Plans (DB)
 1. Pension plan by employers.
 - a. Formula determines the monthly benefit received in retirement based upon length of service and salary.
 - b. Being “vested” refers to those who have worked for an employer long enough to qualify for their pension.
 2. Over time plans started aging, company funds started running dry.
 - a. “Freezing a plan” refers to an employer that stops the accruals for an employee’s pension while they are still employed.
 3. The Employee Retirement Income Security Act of 1974 (ERISA) assigned rules to employers that maintained pensions.
 4. Rules that govern pensions have been tweaked over time since 1974.
 5. Millions of people are covered by DB plans; however, most are in 1% of the plans—single employer plans from larger companies (e.g. GM, AT&T).
 - ii. Defined Contribution Plans (DC)
 1. Retirement plan in which the employer, employee or both make contributions on a regular basis.
 - a. E.g. 401(k), 403(b) plans
 - b. Benefits fluctuate on the basis of investment earnings.
 2. About half of Americans are covered by DC plans
 3. Shift by employers and employees to DC plans from DB plans took place in 80’s.
 - a. Employees did more “job hopping” than before.
 - b. The work of PBGC protecting DB plans
 - i. Three principles guiding its mission
 1. Encourage the continuation and maintenance of voluntary private pension plans.
 2. Provide for timely and uninterrupted payment of pension benefits to participants and beneficiaries.
 3. Maintain premiums at the lowest level consistent with its obligations.
 - ii. PBGC steps in to administer pensions for companies that have failed.

1. Single-employer: takes over and administers plans that terminate without sufficient assets.
 2. Multiemployer: provides financial assistance so that plan can continue to administer benefits after its assets are exhausted.
 3. Companies pay insurance premiums to PBGC to pay for plans.
 - a. Every year, the actuary determines what the employer's minimum contribution should be.
- iii. PBGC protects the pension benefits of nearly 40 million Americans in private-sector pension plans.
 - iv. PBGC is currently responsible for the benefits of about 1.5 million people in failed pension plans.
 - v. PBGC receives no taxpayer dollars.
 1. Operations are financed by insurance premiums, investment income, and, for the single-employer program, assets and recoveries from failed single-employer plans.
 - vi. PBGC operates the pensions as they were written by the employer.
 1. Institutes new guaranteed benefit minimums and the exception that they do not pay out lump sums over \$5,000.
- c. Types of pension plans operated by PBGC
- i. Single employer plans
 1. One employee sponsors the plan on behalf of its employees
 2. Could be, but doesn't have to be collectively bargained.
 3. When a single employer plan fails, PBGC uses a company's remaining assets and recoveries to administer the plan.
 4. PBGC operates 22,000 single employer plans
 5. Rules that govern single employer plans have been modified several times since ERISA.
 - ii. Multiemployer pension plans
 1. Sponsored by more than one employer and maintained under collective bargaining agreements.
 - a. E.g. those in a similar industry or union
 - b. Administered by a Board of Trustees
 2. Multiemployer plans are focused on years worked rather than past earnings.
 3. PBGC operates 1400 multiemployer plans
 - a. Over time, there have been more people retiring than working and contributing to the pension.
 - iii. Legislation
 1. Pension Protection Act of 2006
 - a. Informs former employees the financial status of their pension via color coded actuarial predictions (Red, Yellow, and Green).
 - b. Went into effect in 2008
 2. Multiemployer Pension Reform Act (MEPRA) of 2014.
 - a. Created a new zone: Critical and Declining.
 - i. Over a million in plans that are in this zone.

- d. Potential PBGC multiemployer pension insolvency and solutions
 - i. Out of the current 67 billion projected shortfall, 65 billion is for future plans, 2 billion is needed to make current multiemployer plans solvent.
 - 1. For some plans, this will take place as soon as 2022 or 2024.
 - ii. When PBGC takes over a pension plan, their defined guarantee is (generally speaking) a cut.
 - iii. Once PBGC becomes insolvent, the pensions that will be paid out could decrease significantly.
 - iv. Reporting on the financial status and 10 year projections of PBGC is required by statute.
 - 1. Report released May 31, 2018:
PBGC Projections: Multiemployer Program Insolvent in FY 2025, Single-Employer Program Continues to Show Improvement
 - a. Summary: <https://www.pbgc.gov/news/press/releases/pr18-02>
 - b. Report: <https://www.pbgc.gov/sites/default/files/fy-2017-projections-report.pdf>
 - v. New Joint Select Committee on Multiemployer Pensions
 - 1. Needs to hear from both stakeholders and constituents about the serious nature of the pension insolvency.
 - 2. Pension Rights Center is working on principles for promoting a fair solution to the insolvency.
 - vi. Butch-Lewis Act (S. 2147) introduced by Sen. Brown has 11 co-sponsors
 - 1. <https://www.congress.gov/bill/115th-congress/senate-bill/2147/text?format=txt>
 - 2. Creates a Pension Rehabilitation Trust Fund, along with a Pension Rehabilitation Administration within the Department of the Treasury to make loans to multiemployer defined benefit plans, and for other purposes.
- 2. 2018 Social Security Trustees Report is expected to come out June 5th
 - a. Social Security Works will put out a backgrounder and talking points.
 - 3. SSA office closing in Baltimore
 - a. Rally in front of the building on June 19th at 10am
 - 4. Next Meeting: June 27, 2018 at 2:30pm

In attendance:

Jasmine Jefferson, Social Security Works
 Breana Clark, B'nai B'rith
 Eva Dominguez, Alliance for Retired Americans
 Katie Smith, AFSCME
 Amy Shannon, WISER Women
 Ben Belton, Center for Medicare Advocacy

Evan Carmen, B'nai B'rith
 Nancy Altman, Social Security Works
 Ellen DeWeese, Alliance for Retired Americans
 Karen Friedman, Pension Rights Center
 Barbara Gaye, Leading Age
 Luke Warren, NCPSSM