Statement of the

National Electrical Contractors Association

to the

House of Representatives
Committee on Ways and Means

Tax Reform Working Group on Small Business

April 15, 2013

NECA
NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION

The National Electrical Contractors Association (NECA) appreciates the opportunity to submit a statement for the record. NECA is the nationally recognized voice of the electrical construction industry, comprising of over 80,000 electrical contracting firms, employing over 750,000 electrical workers and producing an annual volume of over $125 billion in electrical construction. NECA represents 119 U.S. chapters in addition to several affiliated international chapters around the world. NECA chapters are signatory to 359 local unions. NECA member companies contribute to both a national and local pension plans.

The construction industry has a substantial stake in the health and welfare of multiemployer pension plans. The industry comprises 54 percent of the total number of plans and provides coverage to 37 percent of the 10 million employees participating in multiemployer plans.
As businesses around the country begin to recover from the recession, the economic recovery in the construction industry remains stagnant. We have been plagued with uncertainty in the marketplace, high unemployment, an aging workforce, and unsustainable pension contributions, coupled with the significant investment losses and volatile equity markets. All of these forces have combined to create a perfect storm that has put many multiemployer pension plans at risk. At a time when competitive circumstances require NECA contractors to be flexible in their cost and crew structure, their pension funding challenges have a tremendous impact on the day-to-day decisions of NECA members and their ability to stay in business.

According to its 2012 exposure draft, the PBGC paints a bleak picture for multiemployer pension plans as their 10-year projections of the multiemployer program nearly all result in declines. In fact, according to its recent report to Congress dated January 22, 2013 entitled, "PBGC Insurance of Multiemployer Pension Plans Report," the agency states that it is "at risk of not having the tools to help sustain multiemployer plan or the funds to continue to pay benefits beyond the next decade under the multiemployer insurance program." NECA is pleased to report to the Committee that the experience for the vast majority of the electrical construction industry's pension plans projects a decidedly different and positive story.

Since 1946, NECA contractors have contributed to the National Electrical Benefit Fund (NEBF), a viable pension plan which benefits participants, retirees and surviving spouses. This successful and well-managed plan is the third largest Taft-Hartley Pension Plan in the United States. It serves over 502,000 participating individuals, with 119,120 of those individuals receiving either a retirement or surviving spouse benefit. The NEBF plan has over 8,000 contributing employers, resulting in approximately 370,000,000 hours worked annually in covered employment. In 2010, NECA companies contributed approximately $370 million to the NEBF with total assets over $11 billion. This total does not include contributions to local pension plans whose aggregate value is in excess of $15 billion. According to NECA's Defined Benefit Plans Study, the NEBF has remained well-funded through the great recession of 2008 and since the inception of the financial status zones under the Pension Protection Act of 2006, the NEBF has and continues to be in the Green (Safe) Zone. The NEBF is funded 84.7 percent of all accrued benefits which means that the plan still carries a certain amount of unfunded vested liabilities. NECA attributes the NEBF's current secure status to the conservative, professional management of the plan and highest level of responsibility for those they serve. More specifically, the NEBF has a "benefits policy" that was put in place in the mid-1980's that prohibits increases in the benefit level if a withdrawal liability exists. This rule has undoubtedly created a level of stability and security with the plans funding levels.

Approximately 50 percent of NECA’s member companies contribute to 112 local or regional defined benefit plans that exist in 165 local areas throughout the country and cover more than 174,000 workers. Based on current market values, 75 percent of the assets of all these plans are held in plans that are in the green zone, and 70 percent of the participants are covered by green plans.

As laid out in NECA’s Defined Benefit Plan Study, the data indicates that a serious but not overwhelming problem exists for our local plans. However, permanent reform measures are needed to ensure all employees of NECA contractors are secure in their retirement. Comprehensive pension reform is NECA's top priority for the 113th Congress, as the multiemployer funding rules contained in the Pension Protection Act of 2006 (PPA) will sunset on December 31, 2014. Accordingly, NECA has been preparing to address this issue for nearly two years, discussing long term solutions with NECA members that serve as trustees on local multiemployer pension plans. NECA has also entered into a partnership sponsored by the National Coordinating Committee for Multiemployer Plans (NCCMP), the *Retirement Security Review Commission*, a broad coalition of labor and management stakeholders (which includes NECA and the International Brotherhood of Electrical Workers), subject matter experts, and actuaries tasked with crafting a realistic proposal that provides significant recommendations for comprehensive pension reform.

The NCCMP Retirement Security Review Commission Report presents tools that will ensure these plans will have the tools available to provide a reliable retirement benefit to the millions of Americans in these plans while and enabling the employers who fund them to remain strong contributors to the national economy. The proposal offers recommendations that address the deeply troubled plans heading toward insolvency, includes technical provisions that will improve the current system and offers a new flexible plan design options aimed to reduce employers risk and eliminate withdrawal liabilities. NECA applauds efforts of the Committee to address this important issue and urges Congress to adopt these provisions as soon as soon as possible.