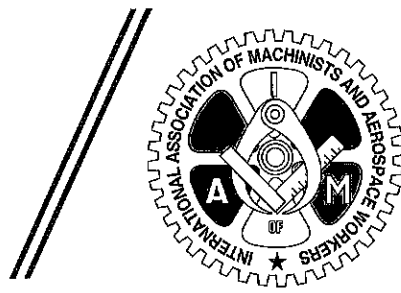


**International
Association of
Machinists and
Aerospace Workers**



9000 Machinists Place
Upper Marlboro, Maryland 20772-2687

Area Code 301
967-4500



OFFICE OF THE GENERAL VICE PRESIDENT

GL 2 Legal

April 6, 2015

Subj: Request for Information Response

Regulatory Affairs Group
Office of the General Counsel
Pension Benefit Guaranty Corporation
1200 K Street NW
Washington, DC 20005-4026

Dear Sir or Madam:

The International Association of Machinists and Aerospace Workers (IAM) is pleased to respond to the Pension Benefit Guaranty Corporation's (PBGC) Request for Information on Partitions of Eligible Multiemployer Plans and Facilitated Mergers under the Multiemployer Pension Reform Act of 2014 (MPRA), published in the Federal Register on February 18, 2015. The IAM represents nearly 600,000 active and retired employees in a broad range of industries. Multi-employer defined benefit pension plans, jointly trusted by the IAM and its employers, cover approximately 360,000 participants.

The IAM was in the forefront of the opposition to MPRA. We view this law as a shameful betrayal of American workers and retirees. For more than 40 years, federal pension law prohibited cuts in earned benefits to safeguard Americans' deferred wages and to uphold the notion that a pension promise made would be a promise kept. By permitting cuts in accrued, vested benefits, even for retirees in pay status, MPRA represents a betrayal of one of America's most vulnerable populations. Elderly retirees now face potentially drastic cuts to their modest incomes, with no practical way to make up for their losses. For this reason, the IAM continues its efforts against MPRA on Capitol Hill with the goal of repealing this deeply flawed legislation.

Until that goal is achieved, we believe it is imperative that the PBGC take all steps within its power to ensure that workers and retirees are treated fairly and protected from the most egregious effects of MPRA. We hope that the agency will hold any application to cut benefits to the highest standards and the closest scrutiny possible. The PBGC should ensure that the actuarial assumptions and methods used to assess benefit cut applications are consistent and not selectively chosen to disadvantage pension participants and beneficiaries. American workers and retirees deserve no less. Our partners at AARP and the Pension Rights Center, who stood with us against passage of MPRA, have made excellent, practical suggestions as to how the PBGC and IRS can protect workers and retirees in this regard.

We believe the IRS and PBGC should take special care with guidance and implementation of MPRA's special protections for disabled retirees (and their surviving spouses). First, retirees who retired under a disability retirement (even if their status is subsequently changed by the plan to "normal" retirement) should be presumed to fall under the protected group for the entire duration of their pay status. Plan trustees, the IRS, and the PBGC should be encouraged to use as broad a definition as possible of disability in order to afford the maximum protection to this most vulnerable group. MPRA's requirement of "equitable distribution" of benefit cuts means that plans that do not have a "disability retirement" option should be required to amend their plan to provide that any participant who has met the criteria for long-term disability benefits from a separate insurance plan, Social Security/Railroad Retirement, and/or has a condition that qualifies under Social Security's Compassionate Allowance Listing will be considered "disabled" by the plan. Finally, plans should be required to make clear to participants that a disability showing could have a significant effect on the amount of their monthly retirement benefit. The PBGC and IRS should consider requiring individual counseling and/ or a requirement for participants to sign a statement that they are aware of their rights in this regard. Because proving disability can be burdensome, especially for one who is ill, in the past some retirees have opted to take an early or normal retirement if they were eligible, obviate the need to make a disability showing. In the face of substantial benefit cuts, the price of having taken the route of convenience could dramatically rise. Retirees who did so should be afforded the opportunity (within a reasonable period of time following the benefit cuts) to re-apply for benefits and have their status changed to "disabled" upon making the proper showing.

Additionally, we hope that the PBGC, alongside the IRS, will actively, positively, and aggressively promote, support, and assist plan mergers as a way to avoid benefit cuts to the maximum extent possible. In order to accomplish this, the PBGC and IRS should have the flexibility they require to facilitate mergers. Small, financially troubled plans may have the opportunity to significantly reduce plan administrative costs and boost net investment performance by merging with a larger, financially stronger partner. Over time, seemingly small reductions in costs (or improvements in net investment returns) can compound to significant sums. Such efficiencies may enable plans to forestall benefit reductions and should be given every opportunity to succeed. Indeed, before any plan attempts to cut benefits, it should evaluate whether a merger might be a feasible alternative.

Over the years, the IAM has executed a number of successful multiemployer plan mergers, including at least one circumstance involving financial assistance from the PBGC. These mergers strengthened benefit security for plan participants while simultaneously reducing financial risks and costs to the PBGC. Workers and retirees avoided their benefits being cut back to PBGC guarantee limits and were able to continue participation in a financially stronger (merged) plan. Although the PBGC incurred an up-front cost, its long-term losses were reduced, as it did not take on the entire burden of an insolvent plan.

Technical and financial assistance from the PBGC may prove to be a vital ingredient to make certain mergers happen. The expertise among PBGC staff is impressive and wide ranging and we encourage the agency to be generous with technical assistance. Where financial

assistance is concerned, guidance from the PBGC will be helpful to parties preparing applications. We note that (unlike the requirements for partition) there is no explicit requirement in MPRA that conditions financial and technical assistance from the PBGC on benefit cuts. We oppose reading any such requirement into the statute. We believe that giving the PBGC flexibility in structuring how it provides financial assistance will enable the agency to tailor such assistance to the specific facts of each case. One example might be that the PBGC should have the discretion to offer assistance over a period of years, rather than up front in a single lump sum, enhancing the PBGC's liquidity.

We understand that the ability of the PBGC to provide financial assistance for mergers depends on the long-term solvency of the PBGC itself. Therefore, we call on Congress to provide additional resources to support plan mergers. The more that we can prevent plans from becoming insolvent by creative use of facilitated mergers, the better it will be for the PBGC's long-term financial outlook.

Finally, consistent with the goal of providing retirees access to secure annuitized income at low cost, we encourage the PBGC and the IRS to explore methods to allow individuals to roll over their single employer defined contribution plan balances, or IRAs, into multi-employer plans, in a manner similar to the single employer plan context.

Sincerely,



Mark Schneider
General Counsel
IAM Legal Department



Maria Roeper
Director and Counsel
IAM Health & Welfare Programs

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