

Gray & Oscar LLC

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DT: 7/20/18
RE: CONGRESSIONAL UPDATE

This Week in Congress: As Congress inches towards the August Recess, legislators will be primarily occupied with preparing for Supreme Court nomination hearings, annual appropriations bills, and the Federal Aviation Administration (FAA) reauthorization bill; however specific timing on these items remains fluid.

MULTIEMPLOYER PENSION REFORM:

- **Public Hearing:** On Friday, July 13, Sen. Brown (D-OH), co-chairman of the House and Senate Joint Select Committee on Pensions, and Committee Member Sen. Portman (R-OH) hosted a field hearing of the Committee at the Ohio Statehouse in Columbus. The hearing entitled, “*Understanding What’s at Stake for Current Workers and Retirees,*” allowed members of the committee to hear directly from current workers and retirees, who will be affected by the pension crisis if nothing is done. This field hearing will be the fifth public meeting the committee has held. It followed a hearing in Washington, D.C., where the committee heard from contributing employers about the potential consequences to small businesses and the national economy if no action is taken. The bipartisan, bicameral committee has been tasked with finding a solution to the pension crisis immediately threatening 1.3 million Americans and thousands of small businesses around the country. Any solution the committee produces would be guaranteed an expedited vote in the Senate without amendments. Numerous Ohio pension plans, including the massive Central States Teamsters Pension Plan, the United Mine Workers Pension Plan, the Ironworkers Local 17 Pension Plan, the Ohio Southwest Carpenters Pension Plan and the Bakers and Confectioners Pension Plan are on the brink of failure. If nothing is done to the plans, they will fail and retirees will face massive cuts to the benefits they earned over decades of work. Hearing witness included:
 - Roberta Dell, chief Union Steward, Spangler Candy Company, Bryan, OH
 - David A. Gardner, CEO, Alfred Nickles Bakery Inc., Navarre, OH
 - Bill Martin, president, Spangler Candy Company, Bryan, OH
 - Brian Slone, apprentice instructor, Millwright Local 1090, Dayton, OH
 - Mike Walden, president, National United Committee to Protect Pensions, Cuyahoga Falls, OH
 - Larry Ward, retired coal miner and former president of United Mine Workers of America, District 6, Hopedale.
- **Details on the Joint-Select Committee to Solve the Pensions Crisis:**
 - The committee is made up of 16 members appointed by House and Senate leaders.
 - The members include eight Senators and eight House members, equally divided between Republicans and Democrats.
 - The committee has instructions to report a bill to solve the pension crisis by the final week of November.
 - If at least five members from each party agree on a compromise, the solution the committee produces will be guaranteed an expedited vote on the Senate floor with no amendments.
 - The committee is required to hold at least five public meetings.

- **Interest Rates (MEP Plans):** The possibility of using more conservative interest rates for valuing multiemployer plan liabilities has been raised in deliberations of the Congressional Joint Select Committee on Solvency of Multiemployer Plans. To determine the impact of such a change, Segal Consulting performed a detailed analysis of two national multiemployer plans. Segal modeled three scenarios for discounting liabilities using lower funding rates:
 - The current single-employer legislated funding rates with “stabilization” relief (using a discount rate of 5.5 percent as a proxy for the 25-year average segmented yield curve corridor);
 - The current legislated discount rates for single-employer plans without previously granted relief (using a discount rate of 3.7 percent as a proxy for the current two-year average segmented corporate bond yield curve);
 - and the plan’s “current liability” calculated using the 30-year Treasury bond rate (currently approximately 3.0 percent, with legislated mortality).

Segal’s study illustrates that the increase in the necessary contributions to meet current funding standards would not be sustainable for either of the plans’ contributing employers or participating employees. Both plans are currently considered healthy plans based on their Pension Protection Act zone status.

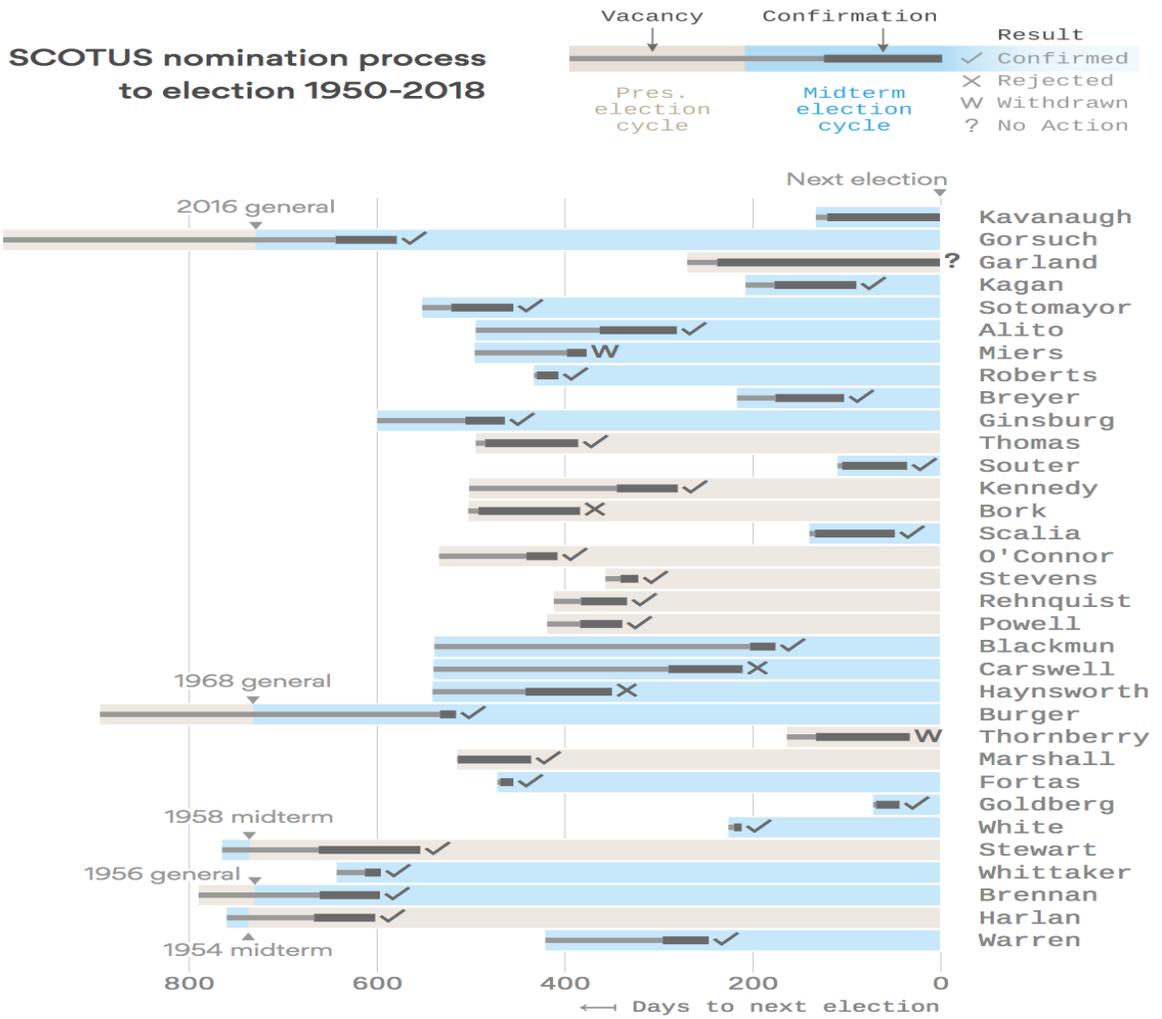
For example: If the discount rate changed to 3.7 percent, contribution rate for the first plan we studied would have to more than double (to more than \$20/per hour) to avoid a funding deficiency. The impact of a 3.0 percent discount rate would be considerably more severe: contributions would have to nearly triple (to around \$30/per hour).

If the discount rate were to change to 3.7 percent, to prevent a funding deficiency and remain in the green zone, contributions for the second plan they studied would have to increase from \$40 million to over \$400 million over the next three years. David Brenner, Senior Vice President and National Director of Multiemployer Consulting, points out that, “a change to a considerably lower discount rate would expand the current pension crisis from about 10 percent of multiemployer plans to every multiemployer pension plan.”

“That’s why Segal recommends no change in current practice for the discount rate/assumed rate of return,” said Diane Gleave, Senior Vice President and Actuary. She added, “it’s important to keep in mind that, under current law, the majority of multiemployer plans are on track to fully satisfy their benefit obligations.” Segal’s study includes the graph below that summarizes rolling 30-year returns with data going back to 1927 for a sample investment portfolio.

Read more at: <https://www.segalco.com/about-us/news-events/news/impact-of-changing-funding-rules/#Multiemployer>

IMMIGRATION: Last Friday, the Trump administration said it would speed up the process to reunify migrant children with their parents. In a court filing, the administration for the first time specified that HHS has custody of 2,551 migrant children age 5 to 17. In a concession to the court, the administration said it would truncate the process it used to reunify younger migrant children, which involved fingerprinting and DNA testing to confirm parentage and check for criminal history. HHS is facing a July 26 court-ordered deadline to reunite all children with their parents. Under the amended plan, Immigration and Customs Enforcement will set up between six and eight locations where families can be reunified. HHS field teams will then interview prospective parents for 15 minutes to confirm parentage; HHS also will review available records to determine criminal history or other factors that may pose a risk to the child. When parentage is confirmed, and officials determine that the child is not at risk, HHS will then bring the child to the adult's location within 48 hours and turn custody over to ICE.



Data: [U.S. Senate, Supreme Court](#). Chart: Kerrie Vila/Axios

There have been five other cases since 1950 when seats have opened within 150 days of a midterm election. In three of them, the nomination process was completed before the election (David Souter, Antonin Scalia, Arthur Goldberg). In the remaining two instances, both under President Eisenhower, the nomination was delayed until after the election (Potter Stewart, John Marshall Harlan II).