



INTERNATIONAL COUNCIL OF EMPLOYERS
of Bricklayers and Allied Craftworkers

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**NEW ANALYSIS FINDS COMPOSITE PLANS WOULD HAVE FARED BETTER DURING THE
CORONAVIRUS THAN TRADITIONAL MULTI-EMPLOYER RETIREMENT PLANS**

Study Finds That Participants Will Receive Higher Benefits with a Composite Plan than a Multi-Employer Retirement Plan, and That More Employers are Likely to Participate in the New Model Once Authorized

A new [study](#) released today finds that composite retirement plans would have fared better during the coronavirus pandemic and related market declines than traditional defined-benefit multi-employer plans, allowing participants to receive higher benefits and attracting more employer participants. The study makes it clear that employees and employers stand to benefit once Congress authorizes the use of composite plans.

“Composite plans are a voluntary approach with built-in guardrails to keep plans on track that would give plan sponsors a much-needed option as they look for ways to provide sustainable lifetime income to participants,” concluded the study’s author, Josh Shapiro with the Groom Law Group. “Our case study illustrates how the key composite plan features can provide greater long-term benefit security than current pension plans.”

Composite plans are a retirement reform designed to provide benefit security through conservative funding principles and early corrective action. Unlike 401(k) plans that typically pay lump sums, composite plans pay all benefits as lifetime annuities, so participants do not need to worry about outliving their accounts and being left without a source of income. While these plans successfully benefit millions of middle-class retirees across the developed world, they have not yet been authorized for use in the United States.

“Composite plans are not a government mandate, but a voluntary option for trustees to consider as a tool to protect and promote the health of pension funds,” said Matt Aquiline, CEO of the International Council of Employers of Bricklayers and Allied Craftworkers (ICE). “And composite plans are a dependable and preferable option to evaluate when considering a plan conversion to a defined contribution plan.”

“The composite plan model is a much more flexible, self-adjusting plan as compared with the traditional defined benefit plan model,” Timothy J. Brink, CEO, Mechanical Contractors Association of America, explained. “The composite plan calls for contributing employer investment of a 20 percent overfunding cushion, in exchange for greater flexibility in annual 15-year funding projections. The composite plan model also calls for immediate remedies of small manageable problems before they devolve into the types of deep underfunding challenges traditional plans are experiencing now.” Brink added that “it’s much better for both contributing employers and plan participants to be safe early rather than very sorry much later.”

The new study, which was commissioned by a range of employer groups, was designed to evaluate how a composite plan would have performed during two recent economic crises, the downturn of 2008 and the more immediate coronavirus pandemic. The study found that while a multi-employer retirement plan that was certified in “critical and declining” status suffered significant financial setbacks that are likely to result in the insolvency of the plan despite the recent implementation of a 15 percent benefit cut, a comparable composite plan would have performed more successfully. The participants in a similarly situated composite plan would have experienced a 5 percent reduction in benefits applied immediately after the 2008 crisis, which, in conjunction with the higher funding target, returned that plan to solvency.

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“This new report makes it clear that composite plans offer workers the kind of security and stability that too many traditional multi-employer retirement plans promise but are unable to deliver,” said Stephen E. Sandherr, CEO of the Associated General Contractors of America. “Hard-working construction professionals deserve a stable and secure retirement, and composite plans offer a superior path to providing that security.”

“The current structure of defined benefit plans provided reliable income for many years, but that reliability is in grave danger for many plans,” said Anthony Darkangelo, CEO of FCA International. “Revitalizing the multi-employer pension system by creating a new type of retirement plan, such as composite plans, will provide adequate and reliable income in retirement to our members’ plan participants, along with ensuring contractors are not exposed to financial risks that jeopardize their businesses’ viability.”

The study also found that composite plans will achieve greater long-term employer participation than traditional pension plans. That is because the composite plans provide employers with the cost predictability they need to be successful in their businesses. This greater participation, the study’s author concludes, will further enhance benefit security for retirees by allowing the plans to stay more financially stable. The attractiveness of composite plans is one reason that some of the largest construction unions support them.

“SMACNA contractors’ commitment to a secure retirement for its workforce extends to every generation of workers – not just those already in the industry, but also to new entrants who will sustain and grow this industry in the years to come,” said Sheet Metal and Air Conditioning Contractors’ National Association (SMACNA) CEO, Vince Sandusky. “Without abandoning the retirement promises already made to participants, composite plan design would put an energizing new retirement option on the table for the future, one that doesn’t need taxpayer bailouts.”

“The men and women who build and maintain our nation’s vital industrial infrastructure deserve our thanks, and more importantly, they deserve a strong and stable retirement and pension system,” said Stephen Lindauer, the CEO of The Association of Union Constructors. “Composite plans will provide plan trustees with a sustainable option to consider as they work to ensure that retirees are protected not just now, but for decades to come. That’s why TAUC, along with many of our building trades union partners, supports the Congressional authorization of composite plans.”

“Composite plans will eliminate the greatest obstacle to our industry’s growth, the disproportionate burden of withdrawal liability,” said David Long, CEO National Electrical Contractors Association. “We can remove this obligation while strengthening the long-term security of the benefits our retirees and electricians earn.”

“The GROW Act and its composite plan design offer critical, strong protections that ensure pension promises made are kept while establishing a path forward for employers and plan participants alike,” said Scott Casabona, President, Signatory Wall and Ceiling Contractors Alliance, referring to a legislative proposal that would authorize the new composite plans. “Among these protections are safeguards that preclude employers from abandoning legacy plans, prioritize legacy plan funding over composite plan contributions, and ensure that trustees of the plan – labor and management alike – continue to fulfill their fiduciary obligations to legacy plan participants.”

The [study](#) was commissioned by the following groups: the Associated General Contractors of America; FCA International; International Council of Employers of Bricklayers and Allied Craftworkers; Mechanical Contractors Association of America; National Electrical Contractors Association; Sheet Metal and Air Conditioning Contractors’ National Association; Signatory Wall and Ceiling Contractors Alliance and The Association of Union Constructors.