

## Chairman Sullivan's Remarks to the 2007 SMACNA Convention

*On October 24, 2007, General President Sullivan addressed the annual convention of the Sheet Metal and Air Conditioning Contractors' National Association. Below is an excerpt from his address concerning the National Pension Fund.*

Of course, no presentation would be complete without a few words on the National Pension Fund. Before I get into some specifics, perhaps I ought to give you an idea of where I am coming from. One of my heroes is the great friend of the Labor movement, Eugene V. Debs. Debs was from Terre Haute, Indiana. When I think about the challenges of the National Pension Fund, I remember what Debs said in 1905:

*We are here to perform a task so great that it appeals to our best thought, our united energies, and will enlist our most loyal support; a task in the presence of which weak men might falter and despair, but from which it is impossible to shrink without betraying the working class.*

I won't presume to compare myself to Debs. I won't reach his stature. One of my proudest achievements is to be President of the Debs Foundation and to receive the Foundation's annual award some years ago. Anyway, Debs and his words come back to me as I (and your Trustees) have worked to preserve and improve our National Pension Fund. For all of you, who work on Taft-Hartley funds, pat yourselves on the back. For nearly 60 years you have given working people a share of comfort and dignity in retirement. Your job – be it trustee, or Contributing Employer or Chapter Executive – is critically important. I know how hard you work on benefit plan issues. If it wasn't so hard, heck the non union would have good defined benefit plans.

As I told my folks in August, in over thirty-five years as a union official, I have faced no tougher challenge than the National Pension Fund. In the past year, we opened the latest chapter on the Fund's road to recovery. As you know, the NPF and many other pension funds will change benefits and contributions to comply with the new Pension Protection Act (or "PPA").

Shortly, you'll receive my *"Message about Upcoming Changes to the National Pension Fund"* In my *"Message"* you'll get a good summary of the Fund's proposed response to the PPA. If you don't have a copy of my *"Message"* already – ask Deb Wyandt or Marc LeBlanc or go to the Fund's website.

Under the PPA, the actuary says he expects NPF to be in Critical Status, or what's been called the Red Zone. This is because in 2008, the NPF is projected to be less than 65% funded and – and this important – if the Fund did nothing, it could face a funding deficiency in the next few years. Remember, the Trustees did not wait for a minimum funding crisis to descend upon employers or for new federal legislation. Instead – as I told you at your convention - we told you what was going on and what we needed to do about it. We averted a minimum funding deficiency. We did what was necessary to avoid the imposition of additional contributions and excise taxes on employers. Then the PPA became law and changed the landscape some. We will adapt to the new law.

The PPA requires that NPF issue a Rehabilitation Plan in 2008. This Rehabilitation Plan will provide you and my Local Unions a choice between two schedules, the Alternative Schedule and the Default Schedule. The 2008 Alternative Schedule requires additional contributions but preserves more benefits. The 2008 Default Schedule does not require contribution increases but it reduces more benefits. I firmly believe that because of the steps we have already taken in the past, and because of your support, the Rehab Plan is not as severe as it would have been had we done nothing back in 2004.

If you have not discussed the 2008 Schedules with your Local Union, please do so right away. Some Locals will adopt one of the 2008 Schedules when the Local Union allocates monies under the CBA. Others will do it by negotiation. Both ways are acceptable. However it is done, it should be done as soon as possible but absolutely before March 1, 2008. If it is not done by allocation, I suggest you look at the model contract language that the SMWIA and SMACNA developed to facilitate the adoption of one of the 2008 Schedules.

Using the tools found in the PPA will help preserve the basic normal retirement benefit, improve funding **and** prevent the assessment of minimum contributions and excise taxes on employers. I want to stress one point very clearly. Under either the 2008 Alternative Schedule or the 2008 Default Schedule, we will impose sacrifices on our retired and active members. All of our retirees from 1991 on will lose a portion of their annual benefits. For many of our active participants, early retirement benefits will be reduced in the near term.

I know you appreciate this. I am grateful to the employers that have stepped up to the plate to accommodate the increases we sought these past few years. I know there a few employers that might say: "*Just let the PBGC take over.*" But I respectfully suggest that these contractors don't understand the law. We cannot just turn over our Plan to the PBGC. After all, we're not a major airline. The PBGC benefits for multiemployer plans are not triggered by plan termination, but by insolvency. That means that even though a plan terminates, the employer must continue to fund the plan.

If a plan is insolvent, the plan must cut benefits to match what the assets can provide, down to the PBGC minimum guarantee level. But this doesn't mean employers are then off the hook, they must continue to pay until all of them go out of business or withdraw.

But enough scary talk. I believe we're on the right track. My Union is prepared to do what it takes and I believe SMACNA is too.

-----