July 13, 2018

Field Hearing Testimony – Bill Martin, President, Spangler Candy Company, Bryan, OH

Dear Members of the Joint Select Committee: I am Bill Martin, President of the Spangler Candy Company, from Bryan, Ohio. Thank you for the opportunity to testify before you today.

The Spangler Candy Company is a family owned confectionery manufacturer based in a small community of 8,000 wonderful people in Bryan, Ohio. We are the Dum Dums Lollipop capital of the world, making 12 million Dum Dums every day. We also make candy canes, marshmallow circus peanuts, and Saf-T-Pops.

We are the largest manufacturing employer in our city, employing 550 hard-working Americans. Bryan is a great community and a great place to raise a family. We like to think we are "the Sweetest Town in America".

We were founded by Arthur G. Spangler in 1906 when he purchased the Gold Leaf Baking Company for $450. If only Arthur could see us now, still making candy every day right in his home town. He would be so proud.

We're in our fourth generation of Spangler family management, which is extremely rare. But that's not all; we have had many families in our community work here for multiple generations. Roberta Dell is just one fine example of our employees; we have many, many more.

Like many other employers in multi-employer pension plans, our very future is at risk due to the multiemployer funding crisis. We became a Teamster's shop in 1959, and entered the Central States Pension Plan in 1972. For our Teamster employees, we now contribute $6,300 per year, or about 20% of their total wages, to Central States. Just 10 years ago, in 2008, we were contributing $3,400 per year. Our contribution rate has nearly doubled in 10 years! For someone to say employers aren't paying their fair share is just sadly mistaken and uninformed. No other cost we have has increased 85% in the past 10 years like our pension costs. The real sad truth is, our Teamster employees will only receive a fraction of their promised retirement benefits because the Central States Pension Plan is going to FAIL. Tom Nyhan, the Central States Executive Director, has already stated that beginning in January 2025, the Central States retirement benefits will have to be cut.

According to Central States, 59% of the retirees in this plan are orphans, meaning their contributing employer no longer pays into the fund. 54% of our contribution dollars go to pay benefits of participants who never once worked for Spangler. As a result of these unfunded pension liabilities, Spangler's withdrawal liability is in the tens of millions of dollars, going up 12-15% per year, and it seems to have little correlation to our active workers or retirees. I want to add that the withdrawal liability and the "last man standing" rules were passed by Congress in 1980, eight years <u>after</u> we entered Central States in 1972.

Let me share a hypothetical example of how the withdrawal liability rules stifle growth. Let's say we needed to hire 100 new employees to expand in Bryan, Ohio. This would be good for everyone in our small community. It would be exciting, a great story! Except for this – based on internal Spangler estimates, adding 100 new employees in Bryan, OH could increase our withdrawal liability by more than <u>$200,000</u> <u>per new employee</u>, or <u>$20,000,000.</u>! What company in its right mind would sign up for that?

Right now, there are 130 plans careening towards insolvency, affecting 1,300,000 participants and 5,400 employers. These plans need to be stabilized right away, before more employers file bankruptcy and exit these plans and worsen the problem for remaining employers like Spangler. I believe some form of a long-term, low-interest rate Federal loan is needed to provide stability to these troubled plans and prevent catastrophic consequences for the multiemployer system. Given the enormity of the problem, I believe sacrifices may be needed to stabilize these plans. Having some additional tools going forward to provide retirement benefits that are portable or predictable is critical.

Overall, there are 1,300 multi-employer pension plans affecting 10,000,000 participants and 200,000 employers who could be affected if we do nothing. In Central States, the vast majority of 1,335 contributing employers are small businesses. This issue hinders the success and growth of many businesses and could have a devastating impact on communities across the country. The U.S. Chamber of Commerce did an excellent study of this broader impact in its June 13, 2018 report entitled "The Multi-Employer Pension Crisis: Businesses and Jobs at Risk." Many employers are in multiple multi-employer pension plans. Once employers start to fail, a rolling crisis with a domino effect will hurt the broader U.S. economy and many communities.

We can do this, and we must do this – there is just too much at stake. I know our Bryan community would be affected forever if we weren't there making candy every day. We are the business leaders in our community; we help fund our schools, our city, and many charitable organizations. There would be no one to replace what we do for our community. This is just one story; there could be thousands more just like this in communities all across the country. We must not let that happen.

Thank you.