Congress of the United States
Washington, DC 20515

October 23, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Mnuchin:

As you are negotiating additional relief to combat the economic fallout caused by the COVID-19 pandemic, we are writing to request that on behalf of President Trump you support a proposal designed to provide predictability and stability for single-employer defined-benefit (DB) pension plans.

The Federal Reserve's action of lowering interest rates in response to the pandemic caused an increase in pension plans' required contributions. Pension plan contributions are based on current interest rates, as modified by "interest rate corridors" that can smooth out fluctuations in interest rates over time. However, the corridors put in place by Congress in 2015 are beginning to phase out and are inadequate to deal with the depth of this current crisis. This phase-out is expected to be especially harmful in light of the Federal Reserve's announced intent to keep interest rates near zero through 2023.

Specifically, for single-employer pension plans, including, of course, both frozen and active plans, we recommend narrowing the interest rate corridors for 2020 from 10% to 5%, then phasing-out the special interest rate corridor beginning in 2026, and setting a 5% floor for interest rates to prevent large spikes in contribution requirements. Additionally, we support allowing businesses to re-set their plans' funding shortfalls to provide immediate COVID-19 relief, and then amortize funding shortfalls over 15-years to provide further certainty on contribution requirements.

The spike in required contributions for single-employer DB plans is directly related to the current crisis as historically low interest rates as set by the Federal Reserve and market volatility have led to a dramatic increase in required pension contributions. Moreover, many plan sponsors are experiencing a dramatic and, in some cases, catastrophic reduction in revenue due to the crisis, making the very large funding obligations anticipated over the next few years extremely difficult to meet. Current economic conditions, and the resulting increase in required contributions and decrease in company revenue, are not reflective of the long-term nature of single-employer DB pension plans. Our suggested proposals will provide businesses with the flexibility to support their ongoing operations during the immediate crisis, while also continuing to meet their long-term obligations to current and former employees. This targeted relief will provide immediate liquidity to single-employer DB plan sponsors, many of whom are already dealing with substantial revenue losses.

These commonsense relief proposals for single-employer DB plan sponsors are among the most cost-effective measures we can take during this unprecedented economic crisis. They will not add a dollar to the budget deficit – instead, these proposals are projected to raise $17 billion - while providing tens of billions of dollars of additional liquidity for businesses at a time when they need it most.

To ensure a strong and quick recovery for the American economy, we must look to proposals that will allow businesses to use their own resources to invest in jobs, innovation, and capital projects to support economic growth and prosperity for American families.

Sincerely,

Mike Kelly
Member of Congress

/s/
Jason Smith
Member of Congress

/s/
Brad Wenstrup
Member of Congress

/s/
Ron Estes
Member of Congress

/s/
Glenn "GT" Thompson
Member of Congress

/s/
Kevin Hern
Member of Congress

/s/
Jackie Walorski
Member of Congress

/s/
Darin LaHood
Member of Congress

/s/
Steve Stivers
Member of Congress

/s/
Anthony Gonzalez
Member of Congress

/s/
Chuck Fleischmann
Member of Congress