April 25, 2005

The Honorable _________________________
U.S. House of Representatives
Washington, DC

Dear _____________________________ :

I am writing to urge you to oppose including pension premium increases in the FY2006 budget resolution. Inclusion of premium increases in the final budget resolution being considered by Congress will impose extraordinary additional costs – what amounts to a tax on employers who voluntarily maintain defined benefit programs for their employees. These cost increases would be imposed outside of consideration of other policy changes needed to address concerns about the defined benefit plan system.

____________ maintains a defined benefit pension program for our ______ employees. A dramatic increase in premiums, as is proposed ($18.1 billion in the House passed budget resolution and $5.3 billion in the Senate passed resolution) will make it more difficult to maintain our defined benefit program and could have a negative effect on other benefits programs as well as broader business decisions.

The budget process is simply the wrong place to make comprehensive pension law. Pension policy must be driven by what is best for American workers and retirees, not by the need to fill an arbitrary hole in the Federal budget. Passage of what amounts to an extraordinary tax on the nation's voluntarily employer-sponsored defined benefit plans will cause employers to exit the system and erode retirement security for our workers.

As fewer companies are able to continue offering defined benefit pension plans, premiums will have to be further increased to make up the shortfall. A downward spiral of ever increasing premiums and decreasing numbers of defined benefit pension plans will result in escalating pressure on the remaining plan sponsors ultimately undermining the goals of the pension reform and the mission of the PBGC to strengthen the defined benefit pension system.

Moreover, it is inappropriate to impose significant premium increases without resolving the need to permanently replace the 30-year Treasury bond rate. Such a short-sighted approach to pension policy will exacerbate the problems faced by companies like ______________________, as we recover from an unusual period of declining interest rates and low equity returns.

Sincerely,