



## AMERICAN BENEFITS COUNCIL

June 12, 2012

The Honorable Harry Reid  
Majority Leader,  
U.S. Senate

The Honorable Mitch McConnell  
Minority Leader  
U.S. Senate

The Honorable John Boehner  
Speaker,  
U.S. House of Representatives

The Honorable Nancy Pelosi  
Minority Leader,  
U.S. House of Representatives

The American Benefits Council (Council) asks Congress to enact the defined benefit pension plan funding stabilization provision that has already been approved by the Senate on a wide bipartisan basis. Our core message today is one of urgency.

The Council is a public policy organization representing principally Fortune 500 companies and other organizations that assist employers of all sizes in providing employee benefits to workers and retirees. Collectively, the Council's members either sponsor directly or provide services to retirement and health plans covering more than 100 million Americans. We appreciate the long-standing bipartisan commitment in the House and Senate to sound pension policy.

On May 15, over 200 companies, non-profit charitable groups, and other organizations wrote Congress to describe how today's artificially low interest rates are having an extremely adverse effect on pension plan sponsors. The inflated funding contributions required by reason of these interest rates are not needed to secure pension benefits and are diverting valuable company resources away from business investment and other job retention/job creation efforts.

**As a result of the uncertainty of pension funding obligations, generally, and the prospect of inflated contributions, specifically, many critical business decisions are on hold. Hiring is delayed, layoffs are being announced, capital investments and other transactions vital to economic recovery are stymied. In the charitable sector, funds are being re-directed from meeting organizations' core philanthropic missions. In all these instances, well-intentioned policy that is deliberately keeping interest**

**rates at historic low levels to assist economic recovery is, in part, hindering that very recovery by imposing costs that simply are not needed to ensure income security for current or future retirees, nor financial protection for the Pension Benefit Guaranty Corporation (PBGC).**

*Because of the urgency of this issue, whatever legislative vehicle is moving should include pension funding stabilization.* The bipartisan provision passed by the Senate is scored to raise approximately \$10 billion. It is widely supported by businesses across the country in numerous industries and by many unions. The same cannot be said of other potential pension-related revenue raisers under consideration.

It has been suggested that premiums paid to the PBGC should be raised and the revenue directed to that agency should be used to pay for other legislation under consideration. For several reasons, careful Congressional examination should be conducted before any change in PBGC premiums is considered.

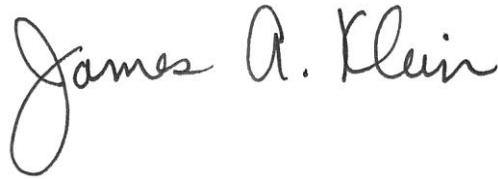
- Many questions have been raised as to whether PBGC actually has a deficit, inasmuch as the historically low interest rates overinflate its reported deficit, just as they do for the pension system itself.
- There are serious concerns about the PBGC's known methodology for calculating its deficit (or surplus) and even more concern about the aspects of that methodology that are not transparent. Not only have PBGC's assumptions not been the subject of Congressional review, but the PBGC's Inspector General recently called into question the agency's actuarial work.
- Uncertainty about the true nature of PBGC's financial status, and the potential for fluctuating temporary interest rates to misrepresent the PBGC's long-term financial health (either positively or negatively) is the reason the Council did not call upon Congress to lower PBGC premiums in the past when the agency was reporting a large surplus.
- The PBGC has publicly confirmed that there is no chance in the foreseeable future that it will run out of assets to pay all guaranteed benefits. This allows Congress the opportunity to thoughtfully examine the situation and make the right decision. Without Congressional scrutiny of PBGC's actuarial work and possible governance reform of the agency, it is impossible to justify large new obligations on businesses and non-profit organizations that sponsor pension plans.

The Senate-passed funding stabilization measure not only represents good pension policy, but also is scored to raise revenue that can be used as a revenue offset for the costs of legislation to which it is attached. That fact and the urgency of the situation support our request that Congress include the Senate-passed measure as part of the first

bill that is moving. Additionally, for the reasons noted above, the validity of the PBGC premium issue merits careful and balanced review before it is considered by Congress. This would include a study of whether a premium increase would be counterproductive.

The Council stands ready to assist Congress in completing enactment of the Senate-passed funding stabilization provision. Thank you.

Sincerely,

A handwritten signature in black ink that reads "James A. Klein". The signature is written in a cursive style with a large, looping initial "J".

James A. Klein  
President

cc: U.S. Senate and House of Representatives Leadership  
U.S. House of Representatives Education & Workforce Committee  
U.S. House of Representatives Ways & Means Committee  
U.S. Senate Finance Committee  
U.S. Senate Health, Education, Labor and Pensions Committee