SECRETARY OF LABOR
WASHINGTON

APR 13 2010

The Honorable George Miller
Chairman
Committee on Education and Labor
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Miller:

I am writing on behalf of the Administration in my capacity as Chair of the Board of Directors of the Pension Benefit Guaranty Corporation.

Thank you for your continued efforts to strengthen the defined benefit pension system. As you know, more than 30 million Americans rely on private single-employer defined benefit pensions for their retirement security. These pensions can provide workers and their families with a steady and reliable stream of income that will help keep them in the middle class throughout their retirement.

Recent investment losses and current low interest rates have forced many employers to increase their pension contributions significantly, even while many businesses continue to struggle in a recovering economy. The Administration supports targeted legislation that allows plan sponsors to temporarily delay pension contributions resulting from these unique circumstances, giving them more time to make up these extraordinary losses while requiring the same funding levels by the end of a defined period. By making pension commitments more affordable for employers, this legislation could encourage employers to continue to offer retirement benefits and free up resources for business investment and job creation. At the same time, the legislation should not allow employers who take advantage of this relief to use their resulting improved temporary cash flows to put payments to shareholders and executives ahead of the security of workers' pensions. I urge you to codify the following four principles in any legislation addressing pension funding relief.

First, funding relief should allow companies to protect jobs and increase investment. Available capital to support these endeavors has become more scarce, and funding relief would help to support capital levels available for job creation and preservation.

Second, cash not needed for these purposes should be put into pension funds before it is voluntarily distributed to shareholders or spent on high levels of pay for executives. Accordingly, strict limits on funding relief should be applied to the extent that companies increase their dividend payments, make discretionary purchases of their own stock, or pay particularly high levels of executive compensation.

Third, workers have a right to be informed of decisions that could have significant ramifications for their retirement security. Employers electing to delay their pension contributions should be required to notify workers of their actions, the impact on plan funding during the relief period, and the extent to which the plan is underfunded if it were to terminate.

Finally, the legislation should not provide funding relief to companies that are unlikely to be able to meet their pension obligations in the future because of severe financial distress, such as firms in bankruptcy or those that have failed to make past required pension contributions. Allowing these companies to reduce their pension contributions creates an unacceptable risk of loss to workers, retirees and the PBGC.

Targeted funding relief that meets these principles is in the best interest of American workers and retirees because it will safeguard their retirement security, strengthen the pension system, and accelerate job creation and economic recovery. I look forward to working with you toward quickly passing legislation that will achieve these goals.

The Administration is also concerned about the need for more transparency regarding fees charged by retirement plan service providers. These fees can significantly erode the savings available to millions of workers during their retirement. Added transparency will empower plan sponsors, workers and retirees to make better decisions. As you may know, we are in the process of developing multiple regulations to address this issue, the first of which is undergoing interagency review and we expect to be published shortly. We are also aware of legislative efforts focused on this important issue. Shining a spotlight on the fees paid by retirement plans and their participants and on the parties who benefit financially from the plans' investment transactions will serve to strengthen the retirement system and protect the interests of workers and retirees. We look forward to working with you on these important shared goals.

Sincerely,

Hilda L Solis

HILDA L. SOLIS
Secretary of Labor

SECRETARY OF LABOR
WASHINGTON

APR 13 2010

The Honorable Sander M. Levin
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Levin:

I am writing on behalf of the Administration in my capacity as Chair of the Board of Directors of the Pension Benefit Guaranty Corporation.

Thank you for your continued efforts to strengthen the defined benefit pension system. As you know, more than 30 million Americans rely on private single-employer defined benefit pensions for their retirement security. These pensions can provide workers and their families with a steady and reliable stream of income that will help keep them in the middle class throughout their retirement.

Recent investment losses and current low interest rates have forced many employers to increase their pension contributions significantly, even while many businesses continue to struggle in a recovering economy. The Administration supports targeted legislation that allows plan sponsors to temporarily delay pension contributions resulting from these unique circumstances, giving them more time to make up these extraordinary losses while requiring the same funding levels by the end of a defined period. By making pension commitments more affordable for employers, this legislation could encourage employers to continue to offer retirement benefits and free up resources for business investment and job creation. At the same time, the legislation should not allow employers who take advantage of this relief to use their resulting improved temporary cash flows to put payments to shareholders and executives ahead of the security of workers' pensions. I urge you to codify the following four principles in any legislation addressing pension funding relief.

First, funding relief should allow companies to protect jobs and increase investment. Available capital to support these endeavors has become more scarce, and funding relief would help to support capital levels available for job creation and preservation.

Second, cash not needed for these purposes should be put into pension funds before it is voluntarily distributed to shareholders or spent on high levels of pay for executives. Accordingly, strict limits on funding relief should be applied to the extent that companies increase their dividend payments, make discretionary purchases of their own stock, or pay particularly high levels of executive compensation.

Third, workers have a right to be informed of decisions that could have significant ramifications for their retirement security. Employers electing to delay their pension contributions should be required to notify workers of their actions, the impact on plan funding during the relief period, and the extent to which the plan is underfunded if it were to terminate.

Finally, the legislation should not provide funding relief to companies that are unlikely to be able to meet their pension obligations in the future because of severe financial distress, such as firms in bankruptcy or those that have failed to make past required pension contributions. Allowing these companies to reduce their pension contributions creates an unacceptable risk of loss to workers, retirees and the PBGC.

Targeted funding relief that meets these principles is in the best interest of American workers and retirees because it will safeguard their retirement security, strengthen the pension system, and accelerate job creation and economic recovery. I look forward to working with you toward quickly passing legislation that will achieve these goals.

The Administration is also concerned about the need for more transparency regarding fees charged by retirement plan service providers. These fees can significantly erode the savings available to millions of workers during their retirement. Added transparency will empower plan sponsors, workers and retirees to make better decisions. As you may know, we are in the process of developing multiple regulations to address this issue, the first of which is undergoing interagency review and we expect to be published shortly. We are also aware of legislative efforts focused on this important issue. Shining a spotlight on the fees paid by retirement plans and their participants and on the parties who benefit financially from the plans' investment transactions will serve to strengthen the retirement system and protect the interests of workers and retirees. We look forward to working with you on these important shared goals.

Sincerely,

Hilda L. Solis

HILDA L. SOLIS
Secretary of Labor