Attention: Retirement Security Policy Legislative Staff
via fax (202) 224-0238

September 22, 2011

THE
ERISA
INDUSTRY
COMMITTEE

The Honorable Patty Murray (D-WA)
Co-Chair, Joint Deficit Reduction Committee
United States Senate
448 Russell Senate Office Building
Washington, DC 20510-4704

RE: PBGC Premium Authority

Dear Chairwoman Murray:

The Obama Administration's deficit reduction proposal includes recommendations that would (1) increase the flat-rate premiums that single-employers pay to the Pension Benefit Guaranty Corporation ("PBGC"); and (2) grant the PBGC Board of Directors authority to increase the variable-rate premiums that single-employers pay to the PBGC; and (3) wrest from Congress the authority and effective oversight of premiums.

We believe that the Administration's proposal would seriously undermine the maintenance of traditional and hybrid pension plans, the retirement security of millions of Americans, as well the efficiency and effectiveness of American businesses, the economy and capital markets. Moreover, the proposal would place any company with a pension plan at a disadvantage to any domestic or foreign competitor without a pension plan.

The ERISA Industry Committee ("ERIC") is a nonprofit association committed to the advancement of the employee retirement benefit plans of America's largest employers. ERIC's members provide comprehensive retirement benefits to tens of millions of active and retired workers and their families. ERIC has a strong interest in proposals that would affect its members' ability to provide secure pension benefits in a cost-effective manner.

We are particularly concerned that the increase in PBGC premiums is deemed to be "savings" when it is in fact a $16 billion tax increase on companies that sponsor pension plans - almost a 100% increase in PBGC premiums over the next 10 years. Levying a significant tax increase on business, while simultaneously expecting those companies to be the source of retirement security, additional American job creation and major contributors to capital markets, is unrealistic and counter-productive. Clearly, such a large tax increase will divert critical and limited corporate resources from job creation, business development and business investment.

As we have stated before, the best way to strengthen the PBGC is to keep more employers in the system and encourage additional employers to provide defined benefit-type plans – including hybrid plans as well as the next generation of guaranteed retirement benefits - *not tax them out of the system.*

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The ERISA Industry Committee is a non-profit association committed to the advancement of employee benefit and compensation plans of America's major employers.

The creditworthiness test linking PBGC premiums to an undetermined and unworkable PBGC credit scoring system would result in the PBGC becoming an entity that makes formal pronouncements about the financial status and health of the companies that provide pension benefits to their workers. Such a proposal is critically flawed. It would undermine a pension system already burdened with funding rules that result in unpredictability and uncertainty. Companies would be less able to predict and budget PBGC premiums year-to-year and would be burdened with a staggering increase in PBGC premiums.

Increasing the cost and unpredictability associated with providing pensions to workers will force companies to exit the system, further eroding retirement security for American workers. Moreover, companies that do not sponsor pension plans would not be subject to a public PBGC creditworthiness test and would enjoy a competitive advantage against those that do.

The Administration's proposal makes traditional and hybrid pension plans even less sustainable. More premium payers will exit the system which means that even the revenue estimates are not credible and portray "phantom revenue" rather than real savings. Moreover, even the PBGC in its current annual report stated that it has ample resources to meet its expected obligations for the next decade.

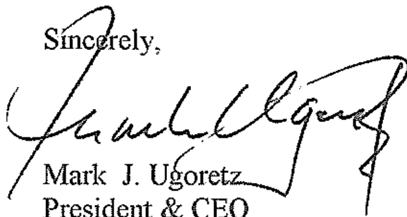
In the past, pension policy driven by deficit reduction has contributed to a flight from sponsorship and less security for workers and retirees who depended on employer-based tradition pension plans. Policies that undermine the financial stability and ability of employers to provide employer-provided retirement benefits will result in a direct shift to and increased stress on the other legs of the "three-legged stool" – Social Security and individual savings.

Employers voluntarily provide retirement benefits to their workers. The extraordinary grant of premium authority to the PBGC would undermine the system, hinder the economic recovery and create an ill-advised government intrusion into the stability of American business. Furthermore, this policy would be contrary to the Administration's efforts, represented through Executive Order 13536, "Improving Regulation and Regulatory Review," to reduce unnecessary and counterproductive government regulations for American business.

We urge Congress to not relinquish its authority to establish appropriate PBGC premiums and instead undertake an examination of the PBGC's financial situation more carefully, including an in-depth review of the actual nature of the PBGC deficit, which actuarial experts have repeatedly questioned.

Thank you in advance for considering our request that you oppose these proposals that would impose significant and burdensome costs and uncertainty on the same businesses that we as a nation look to for retirement security, job creation, competitiveness, and assistance in our nation's economic recovery.

Sincerely,



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Recipients: Members of the Joint Deficit Reduction Committee