ERIC

The ERISA Industry Committee

May 15, 2006

Honorable Jerry Lewis
Chairman
Committee on Appropriations
United States House of Representatives
Washington, DC 20515

Dear Chairman Lewis:

The ERISA Industry Committee (ERIC), on behalf of America's major employers, strongly supports the action by the House Appropriations Subcommittee on Energy and Water Development and Related Agencies blocking spending for the Department of Energy (DOE) Notice DOE N 351.1.

The ERISA Industry Committee (ERIC) is a non-profit association committed to the advancement of employee retirement, health, and welfare benefit plans of America's largest employers. ERIC represents exclusively the employee benefits interests of major employers who, collectively, provide comprehensive retirement, health care coverage and other economic security benefits directly to tens of millions of active and retired workers and their families in all 50 states. Many of our companies contract with Federal agencies. The association, therefore, has a strong interest in proposals affecting our members' ability to deliver those benefits, their cost and their effectiveness, as well as the role of those benefits in the American economy.

The new mandate, announced on April 27, denies reimbursement for costs associated with providing defined benefit (DB) pension plans and comprehensive health coverage to new employees. Instead, the mandate arbitrarily forces contractors to provide only 401(k) and profit-sharing plans to new hires, and compels contractors to replace comprehensive health care coverage with so-called "market-based" health plans.

The new policy is unsound, inappropriate, and fails to moderate cost volatility. With a major overhaul of defined benefit pension plans currently under consideration by Congress, the DOE policy sends an ominous signal regarding support for voluntary benefit plans and raises questions with regard to the Administration's long standing opposition to benefit mandates

The DOE action establishes a precedent that would allow government agencies to advance a patchwork quilt of benefit design preferences through its procurement procedures. This wholly inappropriate agency action effectively overrides an employer's freedom to design benefits that meet its particular workforce needs, undercuts the ability of employers to provide uniform benefits to its employees, and subjects employers and employees alike to arbitrary and changing directions of multiple agencies that will cause confusion, undercut long term retirement planning and pose conflicting demands on employers who contract with multiple agencies.

Moreover, the DOE has overlooked ways for managing cost volatility that would encourage employers to negotiate the best benefits at the best cost. Instead, the new mandate makes sweeping, untested assumptions regarding particular benefit designs and, in the process, jeopardizes the retirement security of millions of American workers and retirees.

The Subcommittee's decision to block the execution of the new policy properly sends the message that Congress supports a voluntary employee benefit system that permits employers to craft retirement and health arrangements that meet the particular needs of the employer and its workers.

1400 L Street, N.W.
Suite 350
Washington, DC 20005
TEL: (202) 789-1400
FAX: (202) 789-1120
www.eric.org

We encourage you to support the action of the Subcommittee, and retain the language blocking the DOE's new mandate in the 2007 Department of Energy Appropriations bill.

Very truly yours,
Mark J. Ugoretz
President

cc: U.S. House of Representatives Committee on Appropriations