



**The
ERISA
Industry
Committee**

February 21, 2012

The Honorable Dave Camp
Chairman,
U.S. House of Representatives
Committee on Ways and Means

The Honorable Sander M. Levin
Ranking Member,
U.S. House of Representatives
Committee on Ways and Means

Dear Chairman Camp and Ranking Member Levin:

We are writing to you in support of a proposal to extend Section 420 of the Internal Revenue Code ("Code"), which allows companies with overfunded pension plans to fund retiree health care for their workers. We also support efforts to expand Section 420 of the Code to allow companies to fund retiree life insurance benefits. This provision is currently included in S. 1813, the "Moving Ahead for Progress in the 21st Century (MAP-21) Act" that was under consideration by the Senate Finance Committee last week.

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.

Section 420 was first enacted by Congress in 1990 and allows the transfer of assets from significantly overfunded pension plans (specifically, for plans with assets in excess of either 120% or 125% of liabilities depending on the type of transfer) to pay for a company's retiree health care costs. Over the years, Section 420 has allowed companies to continue to pay for retiree health insurance for countless number of retirees with no significant negative impact on pension funding. Congress has extended Section 420 three times since 1990, including most recently in the Pension Protection Act of 2006.

The proposal included in the bill under consideration by the Senate would also expand Section 420 to allow companies to make transfers from overfunded pension plans to pay for retiree life insurance. This provision would allow companies to fund a retiree benefit that is particularly important to surviving spouses. Retiree life insurance expenses are generally lower in cost than retiree health insurance.

According to the Joint Committee on Taxation, this proposal will raise \$363 million in revenue over 10 years.

We hope you can support this proposal to continue to help companies fund important retiree benefits. Please contact us if you have any questions or need additional information concerning Section 420.

Sincerely,

Kathryn Ricard
Senior Vice President, Retirement Policy