November 17, 2015

The United States Congress
United States Capitol
Washington, DC 20510

To the Members of the United States Senate and the United States House of Representatives:

The undersigned organizations represent employers who voluntarily provide retirement benefits to millions of workers. We urge you to protect job-creators, workers, retirees, and their retirement security by opposing any further increases in premiums paid to the Pension Benefit Guaranty Corporation (PBGC) by sponsors of single-employer defined benefit plans. Additional premium increases will only add unneeded uncertainty for employers, stifle job creation, and encourage sponsors to exit the defined benefit pension system.

The premium increases included in the budget deal recently enacted by Congress come on top of nearly $17 billion in premium increases already imposed over the last three years. Prior to this year's increases, Congress had already more than tripled the flat rate premium from $19 per participant to $64 per participant. Such premiums will rise another 25 percent to $80 a participant under the current budget deal. Under prior increases, the variable rate premium had also tripled from $9 per $1,000 of underfunding to $30 per $1,000 of underfunding and now will increase another 36 percent to $41 per participant as a result of the recent budget deal.

Every additional dollar that employers must pay to the PBGC is one less dollar that can be used to fund participant benefits, expand businesses, create jobs, or grow the economy. Rather, these premium increases foster economic uncertainty, hamper investment, endanger jobs, and constrain economic growth. According to a recent study,[1] adding further premium increases to the previous premium hikes in 2006, 2012, and 2013 equates to a potential loss of 42,000 jobs per year on average, peaking at 67,000 jobs in 2017, and a $51.4 billion hit to the U.S. economy. Congress could save an average of 24,500 jobs per year by rejecting any additional premium increases. PBGC premium increases also create an unfair playing field among employers as only the employers that voluntarily provide defined benefit pension plan benefits face this tax burden.

Since PBGC's trust fund for the single-employer system is – by the PBGC's own estimates – getting healthier by the year, further PBGC premium increases amount to little more than a tax on plan sponsors. In its 2014 annual report, the PBGC stated that the single-employer system continues to improve and that "it is highly unlikely to run out of funds in the next 10 years." There is absolutely no threat of a taxpayer bailout of the single-employer program. In fact, in the 5,000 scenarios simulated in PBGC's modeling, there were none in which PBGC ran out of money within the 10-year projection period. As such, even the PBGC's own analysis does not call for an increase in premiums on single-employer defined benefit plans.

Congress mandated that PBGC is "to encourage the continuation and maintenance of voluntary private pension plans," but increased premiums are driving plan sponsors out of the defined benefit system. PBGC premiums already add significantly to the cost of maintaining a traditional pension plan and account for more than 13 percent of total defined benefit plan expenses. As

[1] Inforum, Increasing Pension Premiums: the Impact on Jobs and Economic Growth (2014)

such, sponsors paid premiums on at least 2.5 million fewer participants in 2014 than in 2011 due in large part to plan sponsors exiting the system to reduce their premium burden.

By law, PBGC premiums go directly to the PBGC, not to the Treasury and can only be used to pay benefits to plan participants. The practice of counting increased PBGC premiums as general revenue for purposes of budgetary scorekeeping is inconsistent with good governance and does nothing to strengthen the nation’s retirement system.

Thank you in advance for opposing any additional premium increases that will increase pension costs for many employers – costs that could serve as barriers to job creation, investment, and economic growth.

Sincerely,

Abbott
Air Canada
AK Steel Corporation
Albertsons Companies Inc.
Aluminum Castings Company, LLC
American Benefits Council
American Forest & Paper Association
American Foundry Society
American Fuel & Petrochemical Manufacturers
Aon
ASPPA College of Pension Actuaries
AT&T
Ball Corporation
Brunswick Corporation
Buck Company, Inc.
Carilion Clinic
Caterpillar Inc.
CenturyLink
CHANNELLOCK, Inc.
Clearwater Paper Corporation
CNH Industrial
Colonial Parking, Inc.
Committee on Investment of Employee Benefit Assets
Concrete Reinforcing Steel Institute
Council of Industry of Southeastern New York
Crozer-Keystone Health System
Cummins Inc.
Deseret Mutual Benefit Administrators
Domtar Industries LLC
DTE Energy Company
Eastman Chemical Company
Edison Electric Institute
Eli Lilly and Company

Emerson
FairPoint Communications, Inc.
FCA US LLC
Financial Executives International Committee on Benefits Finance
FirstGroup America, Inc.
FMC Corporation
Food Marketing Institute
Ford Motor Company
Fort Worth Aluminum Foundry, Inc.
Foundry Association of Michigan
General Dynamics Corporation
General Mills, Inc.
General Motors Company
Glatfelter
Global Cold Chain Alliance
Graphic Packaging Holding Company
Hardinge, Inc.
Helena Chemical Company
Hess Corporation
Honeywell International
IBM
Indiana Cast Metals Association
International Paper Company
Iowa Association of Business & Industry
Kaleida Health
Kent Corporation
Kingsbury, Inc
Kitchen Cabinet Manufacturers Association
Littlestown Foundry, Inc.
Lockheed Martin Corporation
Louisiana Association of Business & Industry
Medtronic Inc.
Mercer
Mississippi Manufacturers Association
Montana Chamber of Commerce
Motor & Equipment Manufacturers Association
National Association of Manufacturers (NAM)
National Fuel Gas Company
National Marine Manufacturers Association
National Stone, Sand & Gravel Association
Navistar, International Corporation
Nestlé USA, Inc.
New Mexico Business Coalition
NTCA–The Rural Broadband Association
Owens-Illinois, Inc.

Packaging Corporation of America
Pitney Bowes Inc.
PPG INDUSTRIES, INC.
Precision Enterprises, Inc.
Presbyterian Healthcare Services
Quad/Graphics, Inc.
Raytheon Company
Resolute Forest Products US Inc.
RPM International Inc.
RRH
Sedgwick
Sentara Healthcare
SI Group, Inc.
Smithfield Foods
Smiths Group
Society for Human Resource Management
Swedish Match North America
Tarkett
Tenetek Inc.
Textron Inc.
The Boeing Company
The Dow Chemical Company
The ERISA Industry Committee
The Goodyear Tire & Rubber Company
The Ohio Manufacturers Association
The Pillsbury Company
The Principal Financial Group®
The Westervelt Company
TimkenSteel Corporation
Trialco, Inc.
U.S. Chamber of Commerce
Unisys Corporation
United Pacific Corporation
United Technologies Corp
UPS
US Sugar Corporation
USG Corporation
Verizon Communications Inc.
Virco Manufacturing Corporation
Volvo Group North America
Washington Health System
WestRock
Wisconsin Cast Metals Association
Wm. T. Burnett & Company, Inc.
Xerox Corporation

XPO Logistics Inc.