

December 5, 2013

Dear Conferee:

The undersigned organizations represent thousands of employers who provide retirement benefits to millions of workers. We urge you to protect these job-creators, workers, and their retirement security by opposing any efforts to further increase premiums paid to the Pension Benefit Guaranty Corporation (PBGC) by sponsors of defined benefit plans.

Employers are still coping with the last increase to PBGC premiums, which has not yet been fully implemented. Just last year, Congress imposed a \$9 billion increase in PBGC premiums under the MAP-21 (PL 112-141) highway law that is to be fully phased in by 2015. In the span of just two years, the flat rate premium will have increased by 40 percent and in three years, the variable rate premium will have increased by over 100 percent, which translates into millions of dollars in additional costs for companies that offer pension benefits to their employees. The first increase was implemented this year, and the final increase is not effective until 2015. Thus, it is premature for Congress to consider additional premium increases before the most recent increases are fully realized.

Employers know firsthand that uncertainty hampers investment, endangers jobs, and constrains economic growth. Discussions in Congress about further increasing PBGC premiums, which are already indexed to inflation, are occurring more and more frequently – particularly, outside of the context of retirement policy. Additional PBGC premium increases, when added to the multi-billion dollar increases enacted in 2006 and 2012, could divert additional resources from job creation and business investment.

Before the recent \$9 billion increase in PBGC premiums, employers were already paying over \$2.64 billion in premiums annually for the pension benefits they voluntarily provide to 32 million participants. Every additional dollar that employers must pay to the PBGC is one less dollar that can be used to fund participant benefits, expand their businesses, create jobs, and grow the economy.

We appreciate the challenges the Budget Conference faces, but further increasing PBGC premiums is effectively a tax on plan sponsors. The PBGC is not in crisis. In its 2013 annual report, the PBGC stated that the “PBGC still has very substantial assets, and the day when we run out of money is years away.” As such, raising PBGC premiums amounts to a tax on employers that maintain defined benefit plans to boost workers’ retirement security. Only the employers that voluntarily provide defined benefit pension plan benefits face this tax burden.

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,

American Automotive Policy Council
American Benefits Council
American Society of Pension Professionals & Actuaries
The Committee on Investment of Employee Benefit Assets
Edison Electric Institute

The ERISA Industry Committee
Financial Executives International
Kitchen Cabinet Manufacturers Association
Metal Powder Industries Federation
Motor & Equipment Manufacturers Association
National Association of Corporate Treasurers
National Association of Manufacturers
National Marine Manufacturers Association
Newspaper Association of America
Society for Human Resource Management
Steel Manufacturers Association
U.S. Chamber of Commerce

CC: Members of the U.S. Senate
Members of the U.S. House of Representatives