

January 31, 2017

The Honorable Jim Renacci
United States House of Representatives
328 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Renacci:

Thank you for your leadership in introducing the Pension and Budget Integrity Act of 2017. As members of the Pension Coalition, we support your efforts to protect the defined benefit plan system and the millions of retirees who benefit from these plans.

The Pension Benefit Guaranty Corporation (PBGC) was established in 1974 to ensure the maintenance of private-sector defined benefit pension plans. PBGC insurance premiums have always been used for one purpose: to ensure adequate funds are available to cover pension plan liabilities if an employer sponsoring a pension plan enters bankruptcy. However, six years after the PBGC's founding, Section 406 of The Multiemployer Pension Plan Amendments Act of 1980 placed PBGC premiums "on budget." Even though premiums continue to go solely to the PBGC for their intended purpose only, the premium payments are counted as general fund revenue for purposes of budget scoring.

The Pension and Budget Integrity Act would ensure that PBGC premiums are no longer counted in general fund revenue, thus eliminating the incentive for legislators to raise premium costs to pay for unrelated initiatives and programs. As premiums for single-employer plans have been increased to "pay for" unrelated programs, employers that sponsor defined benefit plans have felt the increased financial burden of providing pension benefits, which has, in many cases, jeopardized their ability to continue to offer defined benefit plans.

We believe that PBGC premiums should be increased only as needed to ensure retirement benefits are adequately protected. In the most recent PBGC Annual Report, released on November 15, 2016, the PBGC acknowledged that in the case of the single-employer system, projections show that the system will be in a good financial health over a ten-year window. This is not only an issue of protecting American's retirement benefits; it is also an issue of good governance. PBGC premiums are only used by the PBGC for their intended purpose. The premiums cannot be used to pay for other programs, although the increases have been used to "pay" for other unrelated programs over the years. This double-counting of funds is simply an accounting gimmick and does nothing to address the deficits we face.

The Pension and Budget Integrity Act is common-sense legislation that will restore Congress' original intent with regard to the PBGC and the premiums employers pay, and bring honesty and accountability back to the budget process. We again thank you for your leadership on this issue, and strongly support this legislation.

Sincerely,

The ERISA Industry Committee (ERIC)

American Benefits Council

ASPPA College of Pension Actuaries

Committee on Investment of Employee Benefit Assets Inc.

National Association of Manufacturers

The Society for Human Resource Management

U.S. Chamber of Commerce

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