

June 6, 2011

Dear Members of Congress:

Oppose Proposals to Increase PBGC Premiums for Employers

The undersigned organizations, representing employers who voluntarily provide retirement benefits to millions of Americans, write to express our serious concern with the proposal to increase Pension Benefit Guaranty Corporation (PBGC) premiums as part of the current budget discussions. Changes of the type and magnitude being discussed would undermine the private sector defined benefit pension system, hinder the economic recovery and could create an ill-advised precedent of government intrusion into normal business activities.

Raising the PBGC premiums, without making contextual reforms to the agency or the defined benefit system, amounts to a tax on employers that have voluntarily decided to maintain defined benefit plans. Proposals, like those included in the President's budget, that purport to raise an additional \$16 billion in additional PBGC premiums are flawed and, even if they were feasible, would result in an increase in PBGC premiums of almost 100 percent.

Even less draconian PBGC premium increases, when added to the multi-billion dollar increases enacted in 2006, would divert critical resources from job creation and business investment. For companies already facing financial difficulties, massive premium increases could force employers to discontinue providing retirement benefits altogether. We have long held that the best way to strengthen the PBGC is to keep more employers in the system, not to tax them out of the system.

A creditworthiness test, like the one proposed by the Administration, would inevitably result in the PBGC becoming an entity that makes formal pronouncements about the financial status of American businesses. This role for a government agency would be inappropriate, especially for private companies and non-profit entities. Leaving aside the question of whether the PBGC can establish accurate mechanisms for measuring and adjusting an employer's credit risk across industries and across the country, even modest year-to-year changes in those government credit ratings could have implications well beyond PBGC premiums, potentially affecting stock prices or the company's access to other credit sources.

There is no demonstrated basis for the drastic measures being considered. Premium levels should be carefully crafted and justified. If they are not, then they are really little more than a tax increase. The PBGC states in its 2010 annual report that “[s]ince our obligations are paid out over decades, we have more than sufficient funds to pay benefits for the foreseeable future.” Since there is no immediate crisis, Congress should not relinquish its authority to establish appropriate premium requirements. Instead, Congress should take the time required to examine the PBGC’s financial situation more carefully, including an in-depth review of the actual nature of PBGC’s deficit, which has been questioned repeatedly.

We understand the pressures to address the budget deficits, but massive increases in PBGC premiums are not the solution. Thank you in advance for considering our request to oppose these proposals to impose significant and unnecessary cost burdens on U.S. job creators.

Sincerely,

American Benefits Council
ASPPA College of Pension Actuaries
Business Roundtable
ERISA Industry Committee
Financial Executives International Committee on Benefits Finance
Financial Services Roundtable
National Association of Manufacturers
National Rural Electric Cooperative Association
National Telecommunications Cooperative Association
Society for Human Resource Management
U.S. Chamber of Commerce