

**May 15, 2012**

**TO THE MEMBERS OF THE UNITED STATES CONGRESS:**

**Create Jobs, Increase Investment, Strengthen Pensions, and Raise Revenue  
by Stabilizing the Pension Funding Interest Rate Rules**

The undersigned organizations, which represent thousands of pension plans providing retirement benefits to millions of workers and retirees, urge immediate Congressional action to stabilize funding interest rate rules for private-sector pension plans. Without legislation to adjust for current economic conditions, the current plan funding regime will undermine job retention and growth and limit companies' ability to invest in capital improvements needed to be competitive worldwide and to maintain the economic recovery here at home. Moreover, failure to address on-going funding issues will threaten the long-term retirement security of workers and retirees.

Annual funding obligations for pension plans are based on a conservative measure of corporate bond interest rates. Unfortunately, current rules do not contemplate the sustained steps the federal government has taken in recent years to hold down interest rates to spur economic growth. In fact, the Fed restated on April 25, 2012 that economic conditions are "likely to warrant exceptionally low levels for the federal funds rate at least through late 2014." These government-promoted artificially low interest rates translate into very high estimates of pension liability, which now have resulted in immediate, excessive, and unnecessary required pension contributions.

Consequently, targeted changes to the funding rules that appropriately reflect periods of abnormally low or extremely high interest rates are needed to remove the distortions caused by today's extraordinary interest rate environment. To this end, we urge you to support a permanent rule that disregards interest rates for any period to the extent that the rate for that period is not within 10 percent of the 25-year average interest rate. The Senate-passed highway bill (H.R. 4348) included this "25/10" structure, but only for the 2012 plan year (with a partial phase-out thereafter). We support that provision in the context of the highway legislation, but urge you to continue to consider a broader and permanent rule based on the 25/10 structure. In addition, we also support other similar approaches, like lengthening the period for amortizing plan liabilities, that are consistent with the long term nature of pensions themselves.

Without these recommended changes, funding requirements in the near-term will be far greater than necessary to meet long-term pension obligations, creating significant economic inefficiencies and forcing employers to divert important resources to fulfill an artificial obligation. These excessive, unnecessary and unpredictable required pension contributions will impact a wide range of organizations including companies that will be forced to delay hiring and capital expenditures and charitable organizations that will see critical resources diverted from their charitable missions. In contrast, a permanent funding stabilization proposal will help keep Americans employed, will improve the economy, and will also generate additional funds for the Treasury by reducing unwarranted contributions to pension plans. The short-term provision in the Senate-passed highway bill would raise about \$10 billion, and a permanent rule would raise more.

Pension funding stabilization will not lead to greater underfunding or jeopardize the solvency of the Pension Benefit Guaranty Corporation (PBGC). A pension plan's ability to pay benefits over the next 50 or more years is unrelated to the fact that the government is temporarily working to

keep interest rates artificially low. The PBGC stated in a recent annual report: “[s]ince our obligations are paid out over decades, we have more than sufficient funds to pay benefits for the foreseeable future.” PBGC only suffers losses if a plan sponsor goes bankrupt and terminates its plans. Because funding stabilization will reduce bankruptcies, there is, as CBO has previously concluded, no evidence that reducing funding obligations during a recession increases claims against PBGC.

At the same time, we oppose efforts to raise revenue through increases in PBGC premiums. Stabilizing interest rates in the funding rules is a fiscally sound policy that raises revenue and improves retirement security, as opposed to increases in PBGC premiums, which are unnecessary and counterproductive. A recent study has shown that the PBGC’s reported deficit is substantially a product of the very same artificially low interest rates that the 25/10 proposal would address. In this context, raising premiums by billions of dollars does not serve a policy purpose, but rather only diverts money away from jobs and economic recovery.

Thank you in advance for your support for this important effort. We look forward to working with you and your staff to advance legislation that will promote our nation’s economic recovery and reinvestment, while securing sound long-term pension plan funding.

Sincerely,

A. O. Smith Corporation, Milwaukee, WI  
Agrifos Fertilizer L.L.C., Pasadena, TX  
Airlines Reporting Corporation, Arlington, VA  
AK Steel Corporation, West Chester, OH  
Alcoa, Pittsburgh, PA  
Alexander & Baldwin, Inc., Honolulu, HI  
Allegheny Technologies Incorporated, Pittsburgh, PA  
ALLETE / Minnesota Power, Duluth, MN  
Alliant Energy Corp., Madison, WI  
American Benefits Council, Washington, DC  
American Dental Association, Chicago, IL  
American Institute for International Steel, Falls Church, VA  
American Iron and Steel Institute, Washington, DC  
American Locker Group Incorporated, DFW Airport, TX  
American Moving & Storage Association, Alexandria, VA  
American Trucking Associations, Washington, DC  
Arcadia Chair Company, La Palma, CA  
ArcelorMittal USA, Chicago, IL  
ArnotHealth, Inc., Elmira, NY  
Associated Benefits Corporation, West Des Moines, IA  
Association of Washington Business, Olympia, WA  
Avaya Inc., Basking Ridge, NJ  
Belmont Metals Inc., Brooklyn, NY  
Benchmark Printing Inc., Schenectady, NY  
Black Hills Corporation, Rapid City, SD  
Blair County Chamber of Commerce, Altoona, PA  
Boker’s, Inc., Minneapolis, MN  
BorgWarner Inc., Auburn Hills, MI  
BP America, Houston, TX  
Brick Industry Association, Reston, VA

Bronx Lebanon Hospital, Bronx, NY  
Brunswick Corporation, Lake Forest, IL  
Business Roundtable, Washington, DC  
Campbell Soup Company, Camden, NJ  
Caterpillar Inc., Peoria, IL  
CenterPoint Energy, Houston, TX  
CenturyLink, Monroe, LA  
Chemung Canal Trust Company, Elmira, NY  
Christian Schools International, Grand Rapids, MI  
Chrysler Group LLC, Auburn Hills, MI  
Cliffs Natural Resources Inc., Cleveland, OH  
CMS Energy, Jackson, MI  
Collins Pine Company, Portland, OR  
Commerzbank AG, New York Branch, New York, NY  
Connecticut Hospital Association, Wallingford, CT  
Consolidated Rail Corporation, Philadelphia, PA  
Con-way Inc., Ann Arbor, MI  
Crozer-Keystone Health System, Springfield, PA  
Cummins Inc., Columbus, IN  
Davis & Harman LLP, Washington, DC  
Delaware Manufacturing Association, Wilmington, DE  
Deseret Mutual Benefit Administrators, Salt Lake City, UT  
Dominion Resources, Richmond, VA  
DTE Energy, Detroit, MI  
DuPont Company, Wilmington, DE  
Duquesne Light Co., Pittsburgh, PA  
Easter Seals, Washington, DC  
Eastern Connecticut Health Network (ECHN), Manchester, CT  
Eastman Chemical Company, Kingsport, TN  
Eaton Corporation, Cleveland, OH  
Edison Electric Institute, Washington, DC  
Elford, Inc., Columbus, OH  
Eli Lilly and Company, Indianapolis, IN  
Empire District Electric, Joplin, MO  
Exelis Inc, McLean, VA  
Exelon Corporation, Chicago, IL  
Fan Group Inc., Niles, MI  
Federal Screw Works, St. Clair Shores, MI  
Financial Executives International Committee on Benefits Finance, Morristown, NJ  
Findley Davies, Inc., Cleveland, OH  
Firelands Regional Medical Center, Sandusky, OH  
FirstEnergy, Akron, OH  
Food Pantry, Ltd., Honolulu, HI  
Ford Motor Company, Dearborn, MI  
General Dynamics Corporation, Falls Church, VA  
General Motors Company, Detroit, MI  
Glenwood Communications Corporation, Kingsport, TN  
Green Bay Packaging Inc., Green Bay, WI  
Greyhound Lines, Inc., Dallas, TX  
Hallmark Cards, Inc., Kansas City, MO  
Hawthorne Pacific Corp., Waipahu, HI

Haydon Bolts, Inc., Philadelphia, PA  
Healthcare Association of New York State, Albany, NY  
Hewlett-Packard Company, Palo Alto, CA  
Idaho Power, Boise, ID  
Indiana Manufacturers Association, Indianapolis, IN  
Indianapolis Power & Light Company, Indianapolis, IN  
Ingram Industries Inc., Nashville, TN  
International Housewares Association, Rosemont, IL  
International Paper Co., Memphis, TN  
International Textile Group, Inc., Greensboro, NC  
JELD-WEN, inc., Klamath Falls, OR  
Kansas City Power & Light, Kansas City, MO  
Kellogg Company, Battle Creek, MI  
Kent Corporation, Muscatine, IA  
Ken-tron Mfg. Inc., Owensboro, KY  
Kentucky Association of Manufacturers, Frankfort, KY  
Kopetz Mfg., Inc., Decatur, IL  
Kuakini Health System, Honolulu, HI  
Kyo-ya Hotels & Resorts, LP, Honolulu, HI  
Kyo-ya Management Company, Ltd., Honolulu, HI  
Lawrence Hospital Center, Bronxville, NY  
Lockheed Martin Corporation, Bethesda, MD  
LORD Corporation, Cary, NC  
MACNY- The Manufacturers Association, Syracuse, NY  
March of Dimes, White Plains, NY  
Marsh & McLennan Companies, New York, NY  
Martin Health System, Stuart, FL  
Martin Health Systems, Stuart, FL  
MassMutual Financial Group, Springfield, MA  
Mazda North American Operations, Irvine, CA  
McGuireWoodsLLP, Richmond, VA  
McIlhenny Company, Avery Island, LA  
Meritor, Inc., Troy, MI  
Monadnock Paper Mills, Inc., Bennington, NH  
Monsanto Company, St Louis, MO  
Motor & Equipment Manufacturers Association, Washington, DC  
NACCO Industries, Inc., Cleveland, OH  
Nachi America, Inc., Greenwood, IN  
National Association of Manufacturers, Washington, DC  
National Lime & Stone, Findlay, OH  
National Marine Manufacturers Association, Chicago, IL  
National Rural Electric Cooperative Association, Arlington, VA  
National Telecommunications Cooperative Association, Arlington, VA  
Navistar, Inc., Lisle, IL  
NCR Corporation, Duluth, GA  
Nestlé Nutrition, Florham Park, NJ  
Nestlé Purina PetCare, St. Louis, MO  
Nestlé USA, Glendale, CA  
New York State United Teachers, Latham, NY  
NewPage Corp, Miamisburg, OH  
Newspaper Association of America, Arlington, VA

NiSource Inc., Merrillville, IN  
North Shore-LIJ Health System, Lake Success, NY  
Northeast PA Manufacturers & Employers Association, Pottsville, PA  
Northwest Permanente, P.C., Portland, OR  
October Three LLC, Chicago, IL  
Ohio CAT, Broadview Heights, OH  
Okuma America Corporation, CHARLOTTE, NC  
Ormet Corporation, Hannibal, OH  
Owens-Illinois, Inc., Toledo, OH  
Pacific Gas and Electric Company, San Francisco, CA  
Pactiv Corp, Lake Forest, IL  
PAi, De Pere, WI  
Paul Hastings LLP, Los Angeles, CA  
Penco Corporation, Hartford, CT  
Perstorp Polyols, Inc., Toledo, OH  
Pietzsch, Bonnett & Womack, P.A., Phoenix, AZ  
Pocono Medical Center, East Stroudsburg, PA  
Portland General Electric, Portland, OR  
PPG Industries, Pittsburgh, PA  
Principal Financial Group, Des Moines, IA  
Puget Sound Energy, Bellevue, WA  
Quad/Graphic, Inc., Sussex, WI  
Rayonier, Jacksonville, FL  
Raytheon, Waltham, MA  
Roaring Spring Blank Book Co., Roaring Spring, PA  
RockTenn, Norcross, GA  
Rollins, Inc., Atlanta, GA  
RR Donnelley, Chicago, IL  
RSG Forest Products Inc and Affiliates, Kalama, WA  
Ryder System, Inc., Miami, FL  
Saint-Gobain Corporation, Valley Forge, PA  
Shell Oil Company, Houston, TX  
Smiths Group, Washington, DC  
Society of Chemical Manufacturers and Affiliates, Washington, DC  
Southworth Company, Agawam, MA  
SPI: The Plastics Industry Trade Association, Washington, DC  
St. Louis Screw & Bolt, Madison, IL  
Standard Register Company, Dayton, OH  
Summitville Tiles, Inc., Summitville, OH  
Tenneco Inc., Lake Forest, IL  
Textron Inc., Providence, RI  
The Babcock & Wilcox Company, Charlotte, NC  
The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York, NY  
The Committee on Investment of Employee Benefit Assets, Bethesda, MD  
The Dow Chemical Company, Midland, MI  
The ERISA Industry Committee, Washington, DC  
The Financial Services Roundtable, Washington, DC  
The Goodyear Tire & Rubber Company, Akron, OH  
The Kroger Co., Cincinnati, OH  
The Ohio Art Company, Bryan, OH  
The Ohio Manufacturers' Association, Columbus, OH

The Timken Company, Canton, OH  
Timber Operators Council Retirement Plan and Trust, Tigard, OR  
U.S. Chamber of Commerce, Washington, DC  
UIL Holdings Corporation, New Haven, CT  
UNISYS, Blue Bell, PA  
United Benefits Group, Kansas City, MO  
United States Steel Corporation, Pittsburgh, PA  
United Technologies Corporation, Hartford, CT  
UPS, Atlanta, GA  
USG Corporation, Chicago, IL  
Utah Manufacturers Association, Salt Lake City, UT  
UVMC, Troy, OH  
Valley National Bank, Wayne, NJ  
Vernay Laboratories, Inc., Yellow Springs, OH  
Wacker Chemical Company, Adrian, MI  
Weldon, Williams & Lick, Inc, Fort Smith, AR  
Westar Energy Inc., Topeka, KS  
Weyerhaeuser Company, Federal Way, WA  
Whirlpool Corporation, Benton Harbor, MI  
Xerox Corporation, Norwalk, CT  
Zippo Manufacturing Company, Bradford, PA