



Sent via electronic mail

April 27, 2020

Speaker Nancy Pelosi
U.S. House of Representatives
1236 Longworth H.O.B.
Washington, DC 20515

Majority Leader Mitch McConnell
U.S. Senate
317 Russell Senate Office Building
Washington, DC 20510

Minority Leader Kevin McCarthy
U.S. House of Representatives
2468 Rayburn House Office Building
Washington, DC 20515

Minority Leader Charles Schumer
U.S. Senate
322 Hart Senate Office Building
Washington, DC 20510

Dear Congressional Leadership:

I write on behalf of the Committee on Investment of Employee Benefit Assets (CIEBA) to ask you to protect American workers' jobs and pension benefits by extending the single-employer pension funding stabilization rules. The COVID-19 pandemic has created an extraordinarily challenging situation for pension plan sponsors and their employees. **While we applaud the swift action that Congress took in response to the pandemic under the CARES Act to provide a slightly delayed due date for pension contributions and the action taken recently by the Pension Benefit Guaranty Corporation (PBGC) to extend deadlines for upcoming PBGC premium payments, additional Congressional action is urgently needed to help protect and secure the retirement savings of millions of Americans.**

CIEBA's members include over 100 of the country's leading Chief Investment Officers. Collectively, our members manage over \$2 trillion in defined benefit and defined contribution plan (such as 401(k) plan) assets on behalf of more than 15 million participants. Our organization represents a significant portion of the largest private defined benefit and defined contribution pension plans in the United States.

Congressional action is needed to extend the current funding stabilization rules to provide more consistent and reasonable minimum required pension contribution obligations for single-employer plans. As fiduciaries for defined benefit and defined contribution plans charged with acting in the best interest of plan participants, CIEBA members are very concerned about the impact the COVID-19 pandemic has had on the ability for companies to make pension contributions, keep workers employed and, potentially, continue to make matching contributions, which employers voluntarily make for their 401(k) plan participants.

Pension liabilities are being artificially inflated because of historically low interest rates, due in part to actions undertaken by the Federal Reserve. At the same time, the value of pension plans'

investments has fallen dramatically. The result is that minimum required pension contributions are set to increase dramatically just at the time that the pandemic has caused corporate revenues to fall precipitously.

This set of unique adverse circumstances on corporate revenues is causing employers to have to make unprecedentedly difficult funding choices among many areas including: (i) keeping workers actively employed in certain aspects of their businesses, (ii) continuing to fund 401(k) company matches, or (iii) making dramatically increased pension contributions. By effectively extending existing pension funding stabilization rules under current law and doing what it can to improve those rules, Congress can go a long way to protecting Americans' pension plans and helping employers do everything they can to keep workers employed and try to maintain other benefits.

CIEBA strongly supports legislation to extend and improve the pension funding stabilization rules that are effectively expiring. Congress extended the existing pension funding stabilization rules to protect single-employer pensions from the effects of the Great Recession in 2008. While those stabilization rules worked extremely well as evidenced by the strong state of the single-employer pension plan funding guaranty system just prior to the pandemic, the stabilization rules are scheduled to begin phasing out at the end of this year, just as plan sponsors need them the most.

In this regard, the PBGC explained in its 2019 Annual Report¹ that the single-employer program had been showing continuous improvement and was in a financial surplus. In our view, this improvement was due in significant part to the stabilization that Congress very effectively extended in the Moving Ahead for Progress in the 21st Century Act (MAP-21) that grew out of the 2008 Great Recession, and we are essentially asking Congress to follow its own lead with effective actions again today.

Therefore, CIEBA urges Congress to respond again effectively, as it has done in the past, to:

- a) **Extend and improve the current funding stabilization rules to provide more consistent and reasonable minimum required pension contribution.** We support reducing the 10% interest rate corridor to 5% effective in 2020. Next, a phase-out of the 5% corridor should be delayed until 2026, at which point the corridor could, as under current law, increase by five percentage points each year until the corridor reaches 30% in 2030, where it would thereafter remain;
- b) **Create a floor on funding interest rate assumptions,** and we think an effective, workable floor would be 5%, to offset the impact on pensions of federal actions taken over the past decade to keep interest rates low; and
- c) **Allow plan sponsors to fund their pensions over the course of more than one business cycle** (*e.g.*, a 15-year amortization period).

Again, these policies are important to preserving pension plans and jobs. And they are also protective of the federal pension insurance program – run by the PBGC – which will be negatively

¹ <https://www.pbgc.gov/sites/default/files/pbgc-fy-2019-annual-report.pdf>

impacted if employers are forced into bankruptcy, freezes or dramatic cut-backs due to a dramatic spike in pension funding obligations.

We appreciate your attention to this issue and your commitment to helping Americans retire with dignity and financial independence. Please do not hesitate to contact me if we here at CIEBA can be of any additional help on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'D Simmons', with a long horizontal flourish extending to the right.

Dennis Simmons
Executive Director

cc: Chairman and Ranking Member of the House Ways & Means Committee
Chairman and Ranking Member of the House Education & Labor Committee
Chairman and Ranking Member of the Senate Finance Committee
Chairman and Ranking Member of the Senate HELP Committee
Secretary of Labor Eugene Scalia
Secretary of the Treasury Steven Mnuchin
PBG Director Gordon Hartogensis