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The NRLN advocates the rights of more than 2 million American retirees from...

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July 16, 2014

The Honorable Peter Welch
U.S. House of Representative
2303 Rayburn House Office Building
Washington, DC 20515-4501

Dear Representative Welch:

I read your quote in the Washington Post that stated: “We shouldn’t be paying for filling potholes by creating potholes in Americans’ pensions,” said Rep. Peter Welch (D-Vt.), who voted against the bill. “This is not a serious or sustainable response to the challenge of an underfunded highway program. Congress should bite the bullet and do its job.”

On behalf of the more than 2 million retirees represented by the National Retiree Legislative Network (NRLN) I want to commend you for speaking out and voting against H.R. 5021, the Highway and Transportation Funding Action of 2014 that raises \$6.4 billion of its \$10.9 billion by extending corporate pension plan funding relief (“pension smoothing”).

The NRLN opposed the bill because it is the second time in two years that Congress is giving corporate pension plan sponsors pension funding relief. As you know, in 2012 Congress passed what is called “Moving Ahead for Progress in the 21st Century” (MAP 21) as part of the highway transportation bill that provided a five-year relief window. It is outrageous that the House voted to extend corporate pension contribution relief passed in MAP 21 for five more years.

MAP 21 has relieved funding obligations for companies that have elected to apply it but it has not ease the pension funding crises; instead it has masked it. MAP 21 relief in its original form and in the new bill is temporary. Unless plans are well funded by company contributions or interest rates rise substantially, we are likely to see weaker plans and continued plan terminations after the expiration of “pension smoothing”.

Since the rate relief does not have to be disclosed by all plan sponsors, it permits inaccurate and misleading disclosures in Funding Target Attainment Percentage (FTAP) tables and dilutes the purpose for which Annual Funding Notices (AFNs) were created to disclose accurate actuarial and financial data on assets and liabilities to pension plan participants.

Allowing pension plan sponsors to use unrealistic pension rate calculations could lead to the Pension Benefits Guaranty Corporation eventually having to take over underfunded pension plans and increase the PBGC’s deficit and could put taxpayers on the hook to bailout the agency.

(More)

Your Congressional colleagues who voted for H.R. 5021 are the ones who are trying to destroy what little is left of retirement income security. Over the years, Congress has raided the Social Security Trust Fund to pay other government expenses to the point that the ability to pay benefits in the future is at risk. Many corporations have terminated their pension plans through bankruptcies and de-risking actions. Now Congress is placing many of the remaining pension plans in jeopardy by providing the plan sponsors additional funding relief.

Seniors understand that those who voted in favor of H.R. 5021 are undermining retirement security for millions of retired Americans. Depleting pension plans to generate quick-fix revenue for unrelated purposes must stop. It is contrary to the entire purpose of E.R.I.S.A., which has protected retirees well for 40 years. Congress is effectively robbing plan participant pension plans and putting them at risk to pay for the transportation bill.

Thank you for opposing giving corporations additional pension plan funding relief.

Sincerely,

A handwritten signature in black ink that reads "Bill Kadereit". The signature is written in a cursive, slightly slanted style.

Bill Kadereit, President

National Retiree Legislative Network

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