

December 8, 2020

The Honorable Rob Portman
Chairman
Subcommittee on Social Security,
Pensions, and Family Policy
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Subcommittee on Social Security,
Pensions, and Family Policy
Committee on Finance
United States Senate
Washington, DC 20510

Subject: Single-Employer Pension Funding Stabilization Relief

Dear Chairman Portman and Ranking Member Brown:

We, the undersigned associations, appreciate your dedication to retirement security. As the Subcommittee on Social Security, Pensions, and Family Policy of the Committee on Finance meets on Wednesday, December 9, 2020, to hear testimony on “Investigating Challenges to American Retirement Security,” we respectfully request that you address the need for single-employer pension funding stabilization relief.

We appreciate the delay of minimum contributions until 2021 and the temporary relaxation of benefit restriction status in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which helped plan sponsors navigate 2020. These provisions were a necessary first step, but as the pandemic continues, more action is needed. Specifically, we support the provisions in the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act of 2020 that provide a workable solution for single-employer plan sponsors through stabilizing interest rates and allowing for a longer period to amortize losses.¹

Employers who sponsor single-employer defined benefit plans are experiencing an unexpected financial strain caused by the COVID-19 pandemic. In fact, according to a recent MetLife survey of defined benefit plan sponsors, 92 percent of plan sponsors have been broadly impacted by COVID-19, and nearly 50 percent have been forced to reprioritize or redeploy resources/staff internally as a result of the crisis.² Over 40 percent have borrowed money, prioritized their cash and liquidity needs, or participated in the Paycheck Protection Program. Unfortunately, the survey found that 25 percent of plan sponsors have conducted furloughs or layoffs, and 10 percent have filed, or are considering filing, for bankruptcy or have permanently closed some operations.

The market swings and drop in interest rates have dramatically affected assets in defined benefit plans and, therefore, employer contributions. Although the November market upswing helped to increase plan assets for 2020, these increases were offset by the continually low

¹ Division D, Title II, Sections 40201 and 40202.

² “2020 Pension Risk Transfer Poll: A survey of U.S. defined benefit plan sponsors” MetLife, available at <https://www.metlife.com/content/dam/metlifecom/us/homepage/institutionalRetirement/pension-risk/pdf/734599-1-2020-PRT-Poll-Design.pdf>.

interest rate.³ Given the Federal Reserve’s position, it appears that interest rates will remain near zero for the foreseeable future.⁴ Although this is welcome news for the economy, as you are aware, this determination will negatively impact pension funding and ultimately hurt those who rely on them.⁵

Plan sponsors need help from Congress. The provisions in the HEROES Act to smooth pension contributions and provide for extended pension amortization will provide flexibility for single-employer defined benefit plan sponsors and blunt the impact of COVID-19 on these businesses and their workers who depend on a secure pension for a stable retirement.

Employers are committed to their defined benefit plans. These are long-term obligations that can be funded over time and providing this short-term relief to plan sponsors will not impact the amount or timing of benefits to retirees. As such, we urge Congress to include single-employer pension relief in any upcoming year-end or COVID-19 stimulus legislation. Targeted pension relief will allow businesses to provide for their employees as they return to work and in the future, while still protecting vital retirement benefits. In addition, pension smoothing and amortization can be enacted without disruption to the Pension Benefit Guaranty Corporation (PBGC). The PBGC’s single employer program is robust with a sizeable surplus and strengthening employers’ ability to remain in that program further supports the PBGC.⁶

Thank you in advance for your longstanding dedication to retirement security. Please do not hesitate to contact any of the listed signatories with questions or to discuss further.

Sincerely,

American Benefits Council
Committee on Investment of Employee Benefit Assets Inc.
National Association of Manufacturers
The ERISA Industry Committee
U.S. Chamber of Commerce

³ “S&P 1500 Pension Funded Status Increased by 1 Percent in November” Mercer, November 2020 (finding that “much of the impact on funded status was muted due to discount rates falling closer to the levels seen earlier this summer.”) available at [https://www.mercer.com/newsroom/november-2020-pension-funded-status-increased-by-1-percent-in-november.html#:~:text=As%20of%20November%2030%2C%202020,McLennan%20\(NYSE%3A%20MMC\)](https://www.mercer.com/newsroom/november-2020-pension-funded-status-increased-by-1-percent-in-november.html#:~:text=As%20of%20November%2030%2C%202020,McLennan%20(NYSE%3A%20MMC)).

⁴ See “Statement of the Federal Reserve,” September 16, 2020 available at <https://www.federalreserve.gov/monetarypolicy/files/monetary20200916a1.pdf>

⁵ “Lucky enough to have a pension? The Fed’s low interest rates mean it may no longer guarantee a secure retirement”, Allan Sloan, October 18, 2020 available at <https://www.washingtonpost.com/business/2020/10/21/fed-low-interest-rates-pensions/>

⁶ Pension Benefit Guaranty Corporation FY 2019 Projections Report. <https://www.pbgc.gov/sites/default/files/fy-2019-projections-report.pdf>. Stating that the Single-Employer Program is expected to grow from \$8.7 billion to \$46.3 billion over the next 10 years. (p. 3). CBO estimates that the HEROES Act single employer provisions would strengthen the PBGC by \$7 billion. See “Congressional Budget Office Estimate for the House Amendment to the Senate Amendment to H.R. 925, the Heroes Act, as Passed by the House of Representatives on October 1, 2020,” p. 8 available at <https://www.cbo.gov/system/files/2020-10/hr925.pdf>, p. 8.