BUCK

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March 23, 2020

The Honorable Senator Chuck Grassley
Chairman, Senate Finance Committee
135 Hart Senate Office Building
Washington, DC 20510

The Honorable Senator Ron Wyden
Ranking Member, Senate Finance Committee
221 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Grassley and Ranking Member Wyden:

I write to you today on behalf of Buck Global, LLC, an actuarial and human resources consulting firm founded in 1916 that currently provides consulting, compliance and administrative services to hundreds of retirement plans, large and small. As I will describe below, the retirement plans on which millions of Americans depend are imperiled by the current crisis and require immediate action to prevent their demise.

The COVID-19 crisis has already had a drastic impact on the U.S. and global economies which is expected to continue for the near term. Defined benefit pension plans remain a cornerstone on which millions of Americans depend for their financial security in retirement. Continued employer contributions to these plans are critical to their survival, but we urge Congress to take a long-term view regarding funding requirements. In the coming years, financially healthy plan sponsors are the only way many of these plans will be funded sufficiently to keep the promises made over decades and delivered over decades more. Failed plan sponsors will lead to a great strain on the single employer PBGC program and may prevent many retirees from receiving the benefits they were promised. To help forestall this, Buck recommends Congress enact the following changes to the defined benefit plan funding rules in the measures under current consideration:

Suspension of contribution requirements through the end of year. Many companies have had their businesses interrupted with no end in sight. To date, eleven states representing 167 million people are on lockdown with a wide range of non-essential commercial activity curtailed or suspended, with more states expected to follow suit. Even businesses that continue to operate as usual are experiencing a cash crunch as the entire business community shifts their footing to prepare for a prolonged economic downturn. Pension plan contributions that seemed affordable weeks ago may no longer be so and will force employers to choose between making those contributions and providing the jobs their employees need at this critical time or even remaining in business at all.

Immediate extension of administrative deadlines. Plan sponsors are dealing with a litany of issues brought on by the current crisis. They shouldn't have to be distracted by upcoming deadlines for items such as Annual Funding Notices or PBGC 4010 filings which are both due in

April. The prospect of significant penalties may compel employers to divert resources toward these items when more urgent matters require their attention.

Additional changes to help shore up plans over the long-term would be welcome at this time or could be addressed in future measures:

Interest rate stabilization. The current rate structure is scheduled to phase out stabilization which will lower required interest rates and increase liabilities at a time when asset values have dropped dramatically. We recommend that the stabilization corridor be updated and extended to give time for assets and businesses to recover. We support the American Benefits Council proposal to update the floor for interest rates to 95% of the 25-year average of segment interest rates, keeping it in place through 2026 at which point it would gradually lower to 70%.

Extended amortization. The magnitude of the impact of the current crisis is yet unknown, but it has already been dramatic, and the measures taken to protect the health and lives of our citizens may result in a slow recovery. Amortizing funding shortfalls over a 15-year period rather than the 7-year period that is currently used would reduce the strain on employers and be in keeping with prior relief efforts.

We are at a critical point in our nation's history. The institutions we have built over many years are being threatened. We ask that you take the actions described above so that workers and employers can focus on persevering and recovering with the knowledge that the plans built to provide retirement security for a lifetime will not threaten the survival of the businesses that maintain them. We are aware of additional measures in various proposals and ask that you give them their due consideration as well. If we may be of any assistance as you and your colleagues deliberate, please do not hesitate to reach out.

Best regards,

J C Freker

Jack Freker
CEO, Buck Global, LLC