

STOP PBGC FROM OVERCHARGING FLORIDA'S LOW-RISK CO-OP PENSION PLANS



KEY FACTS

- More than 880 rural electric cooperatives participate in the defined-benefit "multiple-employer" pension plan sponsored by NRECA. The plan covers more than 56,000 employees in 47 states, with 2,848 of those electric cooperative employees being covered in Florida.
- Current rules for establishing the insurance premiums designed for high-risk types of pension plans result in increased volatility and cost pressures on participating electric cooperatives.
- The same facts that led Congress to adjust funding rules for "Cooperative and Small Employer Charity" (CSEC) plans in 2014 strongly support adjusting Pension Benefit Guaranty Corporation (PBGC) premiums charged to CSEC plans. Congress should include these provisions in any retirement package considered this year.

Florida's electric cooperatives and our national trade association, the National Rural Electric Cooperative Association, have been seeking appropriate treatment of these low-risk plans since 2006, when Congress changed the rules for all pension plans. In 2014, lawmakers recognized that the retirement plans of NRECA and other rural cooperative organizations and charity groups have significantly lower risk profiles than those of Fortune 500 companies and excluded them from volatile increases in required plan funding. However, the formula determining the cost of insurance premiums paid to the PBGC remains the same.

Clear Evidence for Congress to Change PBGC Premiums:

We urge Congress to change the formula for insurance premiums and stop PBGC from overcharging multiple-employer defined benefit pension plans that cover charities or rural cooperatives. The same factors that led Congress to adjust funding rules for CSEC plans in 2014 strongly support adjusting PBGC premiums charged to CSEC plans.

Since CSEC plans pose far less risk to PBGC than "single-employer" plans, it does not make sense for CSEC plans to be subject to that premium structure. It's time to stop forcing charities and not-for-profit cooperatives from subsidizing the PBGC premiums of "single-employer" for-profit companies. PBGC's data supports reducing premiums for CSEC plans. In fact, PBGC realized a 3,000% return on CSEC plans for the 2014-2018 period.

Legislation championed by Reps. Ron Kind (D-WI) and Mike Kelly (R-PA) adjusts PBGC premiums to be in line with the low risk posed by the Retirement Security Plan. This language is included in **H.R. 1994**, the bipartisan "Setting Every Community Up for Retirement Enhancement Act" (SECURE Act), introduced by House Ways and Means Committee Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX). Senate Finance Committee leaders have introduced a companion bill, **S. 972**. If enacted, these bills would save electric co-ops in NRECA's Retirement Security Plan more than \$40 million per year on pension insurance premiums, including more than \$1.7 million for the 16 Florida co-ops in the NRECA Plan.

To co-sponsor, contact:

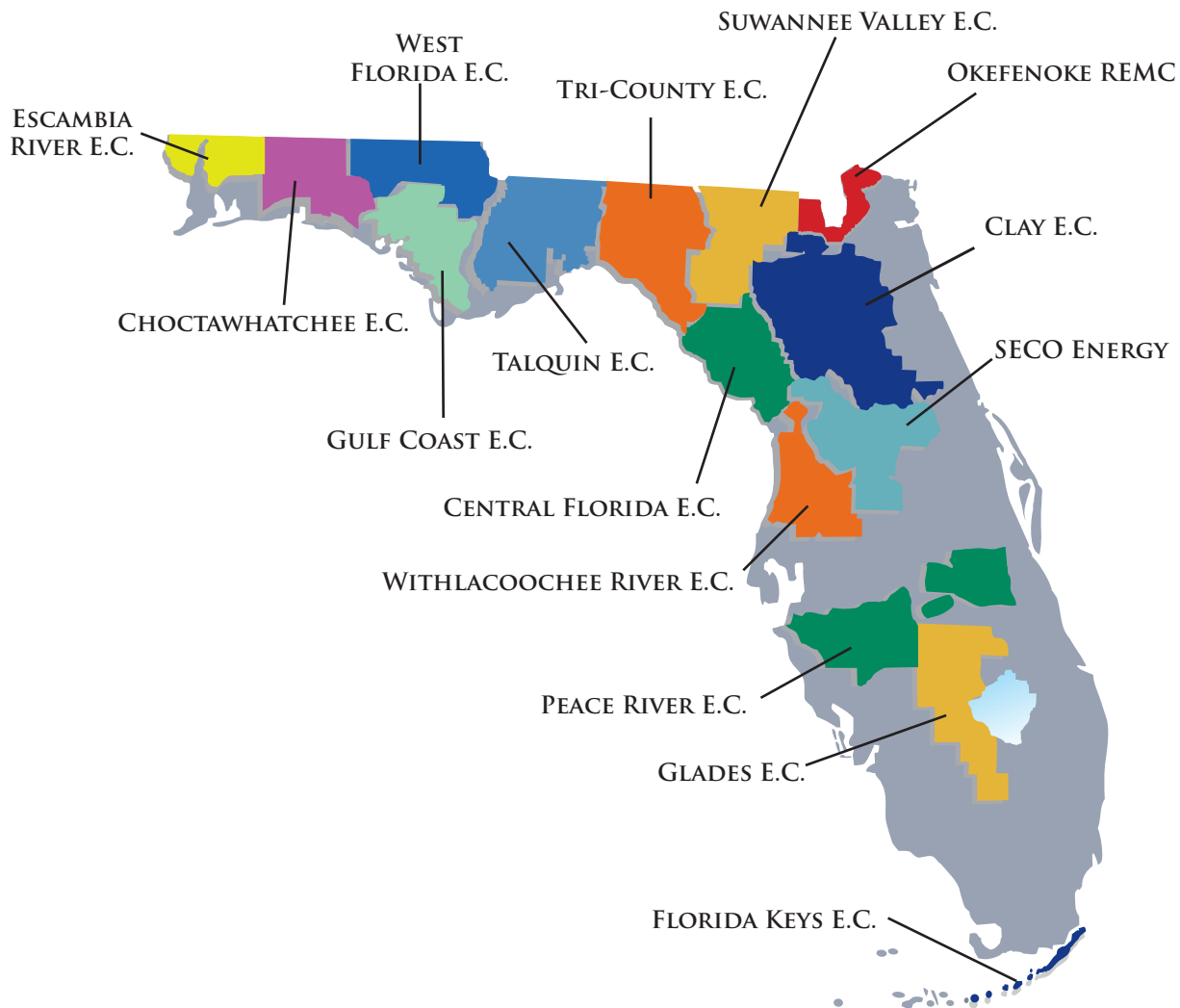
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