National Rural Electric
Cooperative Association
A Touchstone Energy® Cooperative

January 5, 2012

Glenn English
Chief Executive Officer

Hon. Ron Kind
U.S. House of Representatives
1406 Longworth HOB
Washington, DC 20515

Hon. Jim Gerlach
U.S. House of Representatives
2442 Rayburn HOB
Washington, DC 20515

Hon Richard Neal
U.S. House of Representatives
2208 Rayburn HOB
Washington, DC 20515

Re: ***<u>NRECA Supports H.R. 3561, the Small Business Pension Promotion Act of 2011</u>***

Dear Representatives Kind, Gerlach and Neal:

On behalf of America's consumer-owned electric cooperatives serving 42 million consumers in 47 states, I am writing to thank you for your leadership in introducing the Small Business Pension Promotion Act of 2011 (H.R. 3561). We strongly support this legislation and look forward to its swift passage.

Over 880 electric cooperatives provide 55,000+ employees with retirement security by being a part of the NRECA Retirement Plan, a "multiple-employer" defined benefit pension plan administered under § 413(c) of the Internal Revenue Code. Over one-third of participating co-ops (325) sponsor plans with a "Normal Retirement Age" (NRA) that is the earlier of Age 62 or 30 Years of Benefit Service, covering 18,000+ employees.

Electric cooperatives understand the realities of the tight market for skilled labor in rural America, and value long service employees. To prevent co-ops from losing their most valued employees to retirement from these physically demanding jobs, the NRECA Retirement Plan permits employees to "quasi-retire" – that is, receive "in service" distributions at the plan's NRA – including 30 years of benefit service. Without this feature, many needed employees would be forced to retire in order to obtain the Plan's most valuable benefit. This is a win-win for co-ops and employees, ***and has been part of the NRECA Retirement Plan for over 25 years.***

While an IRS regulation (72 Fed. Reg. 28604, et. seq. (May 21, 2007)) could unfairly prevent employees with 30 years of benefit service who wish to continue working from receiving their benefits, H.R. 3561 prevents this from happening. Specifically, it clarifies that a defined benefit plan – like the NRECA Retirement Plan – is permitted to distribute full benefits to active employees who qualify with 30 or more years of benefit service.

Without this legislation, the NRECA Retirement Plan will not be able to make distributions to active employees who qualify for full benefits. These co-op employees would be forced to fully retire in order to collect their earned benefit before it declines in value by reason of delayed commencement. H.R. 3561, therefore, removes a powerful incentive for older workers to leave the workforce.

In 2012, some 354 employees at 143 co-ops who have been making life-changing financial decisions based on their ability to "quasi-retire" under the RS Plan could be prevented from receiving their earned benefits; <u>over 2,083 employees at 287 co-ops (91 percent) are impacted over the next 5 years</u> because of a rule intended to address a completely different "Cash Balance Plan" issue. H.R. 3561 corrects this inequity.

We applaud your strong leadership on this issue and look forward to continuing our great work with you and your staff to enact this critical legislation into law as soon as possible.

Sincerely,

Glenn English

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