Fact Sheet

May 2019

Stop PBGC From Overcharging Low-Risk Co-op Pension Plans

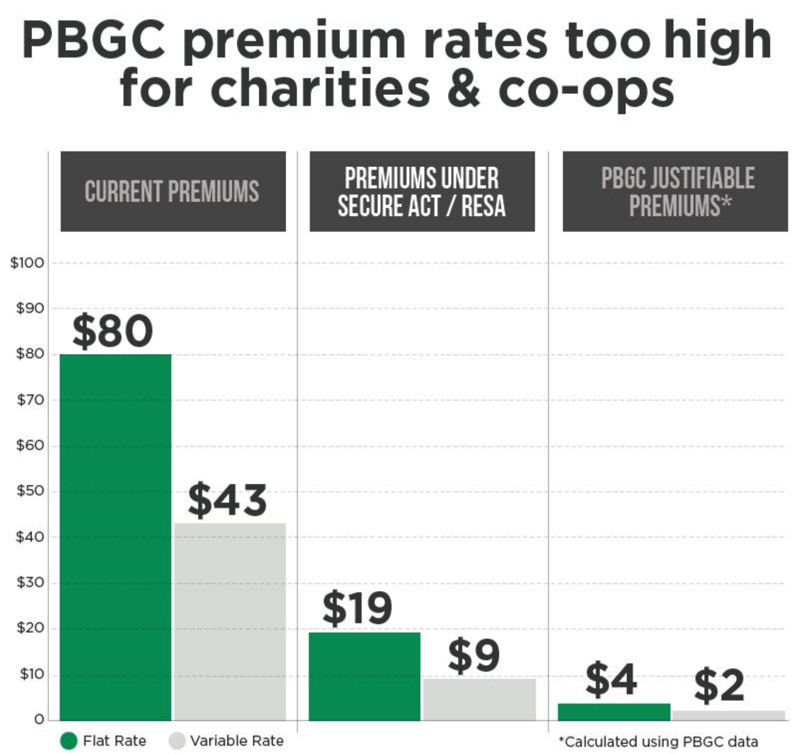
Key Facts

- 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.
- Current rules designed for other types of pension plans are increasing 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 PBGC *premiums* charged to CSEC plans. Congress should include these provisions in any retirement package considered this year.

Stop Forcing Co-ops and Charities to Subsidize Large "Single Employer" Companies

NRECA offers retirement and health insurance benefits to co-op employees and their families, including a defined benefit pension plan called the Retirement Security Plan (RS Plan). More than 880 co-ops participate in the RS Plan, covering some 56,000 employees in 47 states. The RS Plan helps co-ops attract and retain qualified employees while providing co-op employees with economic security in retirement.

NRECA offers the RS Plan and other employee benefit plans to co-ops at-cost to keep them affordable and flexible to meet the unique needs of their employees. Unfortunately, rules designed for other types of pension plans are increasing volatility and cost pressures on the RS Plan. NRECA has 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 Pension Benefit Guaranty Corporation (PBGC) remains the same.

Clear Evidence for Congress to Change PBGC Premiums

NRECA urges 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 percent return on CSEC plans for the 2014-2018 period.

In the House, these provisions are championed by Reps. Ron Kind (D-WI) and Mike Kelly (R-PA), and are included in H.R. 1994, the bipartisan “Setting Every Community Up for Retirement Enhancement Act” (SECURE Act), unanimously approved by the House Ways & Means Committee in April 2019. The SECURE Act is expected to be on the House floor in May 2019. NRECA urges all House Members to cosponsor the SECURE Act.

In the Senate, Finance Committee Chairman Chuck Grassley (R-IA) and Ranking Member Ron Wyden (D-OR) included these provisions in S. 972, the bipartisan “Retirement Enhancement and Savings Act, introduced in April 2019.

Congress should move quickly to pass these retirement bill into law.

Contact: **Christopher Stephen, NRECA**
703-907-6026
christopher.stephen@nreca.coop