



**CORPATH**  
Protecting, Promoting and Perpetuating  
Defined-Benefit Pensions

Majority Leader Mitchell McConnell  
United States Senate  
Washington, DC 20510

Minority Leader Charles Schumer  
United States Senate  
Washington, DC 20510

Speaker Nancy Pelosi  
United States House of Representatives  
Washington, DC 20515

Minority Leader Kevin McCarthy  
United States House of Representatives  
Washington, DC 20515

*April 21, 2020*

Dear Leader McConnell, Leader Schumer, Speaker Pelosi and Leader McCarthy:

CORPaTH is an alliance of trustees, consultants, asset managers, administrators, elected officials and other professionals who oversee pension assets for the benefit of working men and women who earn and deserve a secure retirement.

We work to perpetuate, protect and expand defined-benefit pension plans, as well as advocate on behalf of our members and insist on high-quality corporate governance and responsible investment strategies. We also educate our members on issues critical to the current and future health of pension funds.

We are writing today to express our concerns about the potentially disastrous effects of the COVID-19 pandemic on defined-benefit pensions funds. Many of these funds were already challenged by market fluctuations, corporate bankruptcies, demographic changes, a flawed regulatory system and the migration of company benefits toward hybrid and often fragile savings programs.

Unless immediate and positive action is taken by Congress, the Pension Benefit Guaranty Corporation (PBGC) is projected to exhaust its assets in 2025. If this is allowed to happen, the pensions of millions of Americans will be cut to cents on the dollar.

This will have catastrophic economic effects in every part of the country.

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Not only pensioners would suffer — people who earned every penny of their incomes through a lifetime of work — but every store, every barbershop, every nail salon, every car dealer, every restaurant, every schoolteacher and every police officer in the communities they live in. Inevitably, financial markets and institutions also would suffer. Local, state and federal revenue would substantially decline/

A 2019 study by the National Institute for Retirement Security (NIRS) underscores the critical role of multi-employer pension funds in the U.S. economy. The report estimates annual benefit payments of \$44 billion maintain the livelihoods of nearly 3.8 million retirees, and each dollar of benefits generates a \$2.13 contribution to the economy at large.

What should Congress do to protect these invaluable national assets?

The proposal put forward by Senators Grassley and Alexander last November included a liability removal program administered by PBGC to enable distressed plans to remain solvent. The cost of this program was estimated at close to \$5 billion annually. Much of these costs would be borne by heretofore-healthy pension funds, putting them more at risk to fall into the at-risk category as they struggle to meet their obligations in this time of market instability.

Now, with virtually every pension fund at risk of substantial investment losses over the economic impact course of the COVID-19 crisis, it appears that expenditures of much more than \$5 billion will be required to avert the collapse of currently endangered funds and prevent many other funds from falling into insolvency.

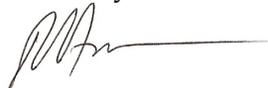
Substantial — and quick — federal funding will be required to enable funds already in distress to fulfill their obligations. Any delay will make the problem worse.

Furthermore, intelligent regulatory relief will be crucial as solvent plans struggle to navigate current market volatility and regain their footing in the recovery that inevitably will follow the conclusion of the COVID-19 crisis.

It is unreasonable to impose funding standards that apply to single-employer plans onto multi-employer funds, as this would force many employers to withdraw from such plans or even declare bankruptcy. A better approach would be to grant temporary relief from statutory funding requirements, following the precedents set by Congressional actions in 2008 (WRERA) and 2010 (PRA).

CORPaTH stands ready with a variety of powerful and pragmatic ideas to assist in creating positive solutions to this developing crisis affecting millions of Americans who are currently retired or who hope to retire in the future.

Sincerely,



Ron Auer  
Executive Director