

**Christopher T. Stephen  
Employee Benefits Legislative Counsel  
National Rural Electric Cooperative Association  
Arlington, Virginia**

Summary Testimony  
of  
NRECA to the United States Senate

**INTERNAL U.S. SENATE USE ONLY - NOT FOR PUBLIC DISTRIBUTION**

Committee on Health, Education, Labor and Pensions

Hearing on

The Power of Pensions:  
Building a Strong Middle Class and Strong Economy  
Tuesday, July 12, 2011



**National Rural Electric  
Cooperative Association**

A Touchstone Energy® Cooperative 

4301 Wilson Boulevard  
Arlington, VA 22203-1860  
Telephone: (703) 907-5500  
[www.nreca.coop](http://www.nreca.coop)

**INTERNAL U.S. SENATE USE ONLY - NOT FOR PUBLIC DISTRIBUTION**

Summary of Testimony of Christopher T. Stephen, NRECA  
Senate Health, Education, Labor and Pensions Committee - July 12, 2011

Christopher T. Stephen is Employee Benefits Legislative Counsel at the National Rural Electric Cooperative Association (NRECA). NRECA is the national service organization for more than 900 rural electric utilities that provide electricity to approximately 42 million consumers in 47 states and sell approximately 12 percent of all electric energy sold in the United States.

Electric cooperatives are defined by their dedicated employees, who are committed to providing safe, reliable and affordable electricity to their consumer-owners. And, like police, fire and other emergency personnel, co-op employees frequently confront life-threatening situations and selflessly put themselves at great personal risk.

The vast majority of our members participate in the NRECA Retirement Security Plan (the "Plan"), a "multiple-employer" plan under IRC Section 413 (c) that plays a vital role in ensuring that our 63,000+ participants live with dignity in the communities they once served. It also provides a critical tool for our members to recruit and retain employees who can often earn higher wages in more urban areas, but value the long-term security provided by the Plan.

Keeping rural America's best and brightest "at home" has become an increasingly difficult task over the past several years. The strongest recruitment and retention tool for electric cooperatives continues to be their employee-benefits programs – particularly our defined-benefit plan. Unlike most other sectors, co-ops see less than a 5% annual employee turnover, with more than 2/3 of employees spending their entire careers within the cooperative family. Our Plan invests in these employees without facing the recruiting, training, and development costs for new hires.

This guaranteed security, however, has become much more difficult to sustain in recent years with economic uncertainty and volatility for all DB Plan sponsors. Cost uncertainty is anathema to any business, especially companies that run "at cost" like electric cooperatives. Some NRECA members ask, "If everyone else is cutting their defined benefit plans; why aren't we?" Congress should continually examine new and innovative policies to encourage current sponsors to remain "in the game" and reject policies that leave companies no choice but to abandon the system. We ask you to consider the following to help cooperative employees and retirees:

- (1) **Accelerated funding requirements during down financial markets dramatically increases volatility and costs.** Congress should restore a critical, logical element from when DB plans were most popular: permit companies to contribute more during good times, and less during bad times. The current system often works the opposite way.
- (2) **Allowing PBGC to set its own premiums, let alone increasing them by \$16 billion without one Congressional hearing, amounts to an unfair tax increase on plan sponsors that must be soundly rejected.**
- (3) **Prevent IRS from eliminating or reducing benefits earned by employees who attain their Plan's normal retirement age (NRA).**
- (4) **Do not tax retirement plans to address the national deficit.** Taxing electric linemen on their retirement savings is not the way to address the deficit.