



**INTERNATIONAL
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WORKERS®**

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LONNIE R. STEPHENSON
International President

KENNETH W. COOPER
International
Secretary-Treasurer

November 30, 2022

VIA EMAIL

The Honorable Ron Wyden
Chairman
U.S. Senate
Committee on Finance
221 Dirksen Senate Office Building
Washington, DC 20510-6200

The Honorable Patty Murray
Chairwoman
U.S. Senate
Committee on Health, Education,
Labor and Pensions
154 Russell Senate Office Building
Washington, DC 20510

The Honorable Richard Neal
Chairman
U.S. House of Representatives
Committee on Ways and Means
372 Cannon House Office Building
Washington, DC 20515

The Honorable Bobby Scott
Chairman
U.S. House of Representatives
Committee on Education and Labor
2328 Rayburn House Office Building
Washington, DC 20515

The Honorable Mike Crapo
Ranking Member
U.S. Senate
Committee on Finance
239 Dirksen Senate Office Building
Washington, DC 20510-6200

The Honorable Richard Burr
Ranking Member
U.S. Senate
Committee on Health Education,
Labor and Pensions
217 Russell Senate Office Building
Washington, DC 20510

The Honorable Kevin Brady
Ranking Member
U.S. House of Representatives
Committee on Ways and Means
1011 Longworth House Office Building
Washington, DC 20515

The Honorable Virginia Foxx
Ranking Member
U.S. House of Representatives
Committee on Education and Labor
2462 Rayburn House Office Building
Washington, DC 20515

**Re: IBEW Support for Section 420 of the Internal Revenue Code of
1986 and Employee Retirement Security Act of 1974 in EARN Act**

Dear Chairman Wyden, Ranking Member Crapo, Chairwoman Murray, Ranking Member Burr, Chairman Neal, Ranking Member Brady, Chairman Scott, and Ranking Member Foxx:

On behalf of the over 775,000 active and retired members of the International Brotherhood of Electrical Workers (IBEW), I ask for your support to extend and strengthen Section 420 of the Internal Revenue Code of 1986 and corresponding provisions of the Employee Retirement Security Act of 1974 to expand benefits for retirees who participate in overfunded pension plans.





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As you negotiate a final retirement savings package, I respectfully express our support for the provisions contained in the EARN Act that would (i) extend Section 420 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of the Employee Retirement Income Security Act of 1974, as amended (collectively, “Section 420”) for seven years, from the end of 2025 to the end of 2032, and (ii) amend Section 420 to permit, in addition to the existing transfer provisions in Section 420, transfers of excess pension plan assets to pay retiree healthcare benefits and group life insurance coverage for pension plans that are at least 110% funded, provided that the transfer is limited to no more than 1.75% of the pension plan’s assets (so-called “de minimis transfers”).

The extension of Section 420 and the de minimis transfer provision have also been proposed in bipartisan legislation introduced by Senators Cardin and Portman in Section 405 of S. 1770, the Retirement Security and Savings Act of 2021. In addition, Section 603 of the RISE & SHINE Act also provides for the extension of Section 420. The Joint Committee on Taxation has estimated that the extension of Section 420 and the de minimis transfer provision will raise \$730 million over 10 years, providing significant revenue that can be used to fund other retirement savings priorities.

As noted in the Senate Finance Committee report to the EARN Act, “[t]he Committee believes that extending the time during which [Section 420] transfers are available and providing a special rule for certain de minimis transfers is appropriate as a means of encouraging retiree health and life insurance benefits.” S. Rep. No. 142, 117th Cong., 2d Sess. 180 (2022).

Section 420 allows employers with generously overfunded pension plans to use a portion of the plans’ surplus assets to fund retiree healthcare benefits and group life insurance coverage for the plans’ retirees without jeopardizing the retirees’ pension security. Section 420, as extended and modified by the EARN Act, encourages employers with such overfunded pension plans to continue providing such retiree welfare benefits by providing a prudent funding source for such benefits. In this regard, the extension of Section 420 is particularly important because the continued availability of the provision allows employers with overfunded pension plans to plan for how they will fund their future retiree welfare commitments.

Thousands of IBEW retirees have benefited from these provisions for more than two decades. By taking advantage of Section 420, the IBEW has been able to maintain affordable retiree welfare benefits for retired employees from Western





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Electric, AT&T, Lucent, Alcatel-Lucent, and Nokia. Without these provisions, these retirees would likely have lost these critical benefits and coverage.

Thank you again for your consideration of including the Section 420 provisions in a final retirement savings package. I look forward to working with you and your staff on the enactment of this important legislation.

Sincerely yours,

A handwritten signature in cursive script that reads "Lonnie R. Stephenson".

Lonnie R. Stephenson
International President

LRS:efw

