

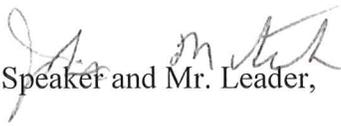
United States Senate

WASHINGTON, DC 20510-7012

June 7, 2012

The Honorable
John A. Boehner
The Speaker of the House of Representatives
United States Capitol
Washington, D.C. 20515

The Honorable
Mitch McConnell
Senate Republican Leader
United States Capitol
Washington, D.C. 20510


Dear Mr. Speaker and Mr. Leader,

I read your letter of May 31 to President Obama on student loan interest rates, in which you said, "in the interest of finding common ground on a way to pay for a one year extension of the current student loan interest rate we are open to other solutions that we have all supported in the past." In that spirit, I want to offer another bipartisan proposal that recently passed the Senate with strong support from Republicans.

Employers compute their pension plan liabilities by discounting their future payments using an average of corporate bond interest rates over the past two years. Under current law, the unusually low interest rates over the past few years will result in substantial increases in pension contributions for 2012. That requirement will force businesses to redirect money away from job creation and business investment.

On a strong bipartisan vote of 74-22, the Senate passed legislation reauthorizing the nation's surface transportation programs, which included a proposal to address this pension funding problem. That proposal would continue to require companies to use the two-year corporate bond rates in computing their pension liabilities. The proposal would also create a "stabilization range" computed using rates for a 25-year period within which the two-year rates must fall. To the extent that the two-year rates fall outside this range, the company would be allowed to use a rate closest to the two-year rate that falls within the stabilization range to compute its pension funding requirements. This more flexible approach would narrow fluctuations in computing pension contributions and result in businesses taking fewer tax deductions for contributions.

In addition, there has been bipartisan support for increasing premiums paid by employers for the insurance provided by the Pension Benefit Guaranty Corporation. Currently, employers pay a flat dollar premium of \$35 per pension plan participant as well as a variable premium equal to \$9 for each \$1,000 that the plan is underfunded. To help improve the PBGC's finances, these premiums could be increased as part of this proposal.

The combination of these two proposals will provide sufficient resources to fund both a one-year extension of the current student loan interest rate and reauthorization of the nation's surface transportation programs. My preference would be to use the funds raised by these two proposals to pay for both measures, and pass them immediately – since as you know, both are critical to the economic security of middle class families, and both must be addressed before the end of June.

However, if House Republicans are still not ready to pass the transportation jobs bill, I suggest that we use part of these offsets to pay for the student loan legislation, and pass that measure immediately so that middle class families will not see their interest rates double on July 1st. The remainder of these offsets will still be available to finish completion of the transportation jobs bill once the conference committee completes its work.

I look forward to working with you further to pass this much-needed legislation.

Sincerely,



HARRY REID
United States Senator