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CPRS HEADQUARTERS

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October 22, 2003

The Honorable Charles E. Grassley
Chairman
Senate Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Senator Grassley:

I am writing on behalf of the Coalition to Preserve Retirement Security (CPRS) to urge your support to correct two provisions contained in the Senate Finance Committee's version of H.R. 743, "The Social Security Program Protection Act of 2003."

Section 416 of the chairman's mark makes changes to the Social Security law on divided retirement systems. Under current law, every state and local government has the option of electing Social Security coverage for its employees by a referendum vote. However, 21 states are allowed to use a different method known as a divided retirement system where employees may individually choose whether they want Social Security coverage, provided that all newly-hired employees are required to participate in Social Security.

Section 416 would extend the authority to operate a divided retirement system to all states. We have concerns that over time this change could undermine well-established public sector defined benefit plans in those new states to the detriment of those workers that participate in them and the public employers that offer them. That said, there is one state, Kentucky, that wishes to have that option available and it would be appropriate to grant them that authority. At this time however, it is simply unnecessary to extend this option to all remaining states when only one state is interested. CPRS urges the Finance Committee instead include the House language, which would add just Kentucky to the list of states that can have divided systems.

CPRS also has concerns about Section 210, which would impose a new reporting requirement on public plans. This provision would require public sector pensions to report on a modified form 1099R whether a former employee's pension is based in whole or in part on earnings not covered by Social Security. This federal payroll tax-related data is not currently available to these pension systems and would be extremely difficult if not impossible to accurately obtain. CPRS urges the Finance Committee to re-

quire the IRS to collect that data since it currently has that information submitted to it on other tax forms, such as the W2, and would be a more appropriate entity to provide that information to the Social Security Administration.

CPRS is a broad based group of organizations that present state and local governments, public employee unions, public employee retirement systems and millions of active and retired public servants and their beneficiaries throughout the United States. CPRS is dedicated to opposing legislation to compel Social Security program participation for public employees. We believe that mandatory coverage would seriously threaten the retirement security of millions of Americans who happen to be employed in the public sector; would threaten the fiscal stability of public retirement systems that have prudently planned for the retirement of the "baby boomer" generation; would result in serious unintended consequences that would impact critical public services; and would place an unnecessary burden on taxpayers in states and municipalities all across America. Forced program participation would cost public employees, their employers and ultimately taxpayers nationwide more than \$26 billion over the first five years, according to a 1999 report.

If you have questions or need additional information, please contact our headquarters office at 703-684-3601. Thank you for your consideration of this request.

Sincerely,

A handwritten signature in cursive script that reads "Terri M. Bierdeman". The signature is written in black ink and is positioned below the word "Sincerely,".

Terri Bierdeman
CPRS Chairman

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October 22, 2003

The Honorable Max Baucus
Ranking Minority Member
Senate Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Senator Baucus:

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Terri Bierdeman
CPRS Chairman