Testimony of Dave Koetje, President/CEO
Christian Schools International

Before the
Senate Health, Education, Labor and Pensions Committee
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Chairman Harkin, Ranking Member Alexander, and All Committee Members:

I am Dave Koetje, president and CEO of Christian Schools International (CSI). CSI was the first national organization to serve Christian schools. From eight charter members in 1920, we have grown into a 400 school membership organization serving high-quality Christian schools, with a primary emphasis on North American Christian schools.

CSI's initial programs were designed to advance the professional status of teachers and principals. In 1943 we established what is now known as an ERISA defined benefit "multiple-employer" pension plan, for any of our schools that choose to participate. By the 1950s we were publishing textbooks and other instructional materials. Today all of our programs and services are designed to reinforce strength, stimulate creativity, and nurture institutional redesign in Christian schools across the country.

With a history of steady growth, solid leadership, and exceptional service, CSI looks optimistically toward its future and the future of Christian schooling. Our twin goals of advancing and supporting Christian education mean that we are constantly listening to our members, discerning their needs, and striving to support the important work they do in their schools.

I am honored to testify today regarding our voluntary retirement program and how this defined-benefit "multiple-employer" plan remains a critical tool for our members to recruit and retain employees who can often earn higher wages at other institutions, but value the long-term security provided by the CSI Plan. I am especially honored to tell you how the bill Chairman Harkin and Senator Roberts introduced today, the "Cooperative and Small Employer Charity Pension Flexibility Act of 2013" (CSEC) will enable our members to retain our plan by permanently recognizing the unique nature of our multiple-employer plan and its lack of risk to the Pension Benefit Guaranty Corporation (PBGC).

The CSI Plan plays a vital role in ensuring that our teachers and administrators have a secure retirement that enables them to live with dignity in the communities they served. Today, I will discuss who we serve, what we do, and why maintaining our plan is part of our members' core business strategy to recruit, retain, and reward long-service employees with a secure financial retirement. But first I want to emphasize upfront that that **<u>this Committee has the opportunity to help our employees by co-sponsoring and approving the Harkin/Roberts Pension Bill.</u>** I urge you to do so as soon as possible.

Who We Serve

Rural, suburban, urban, and central city schools are all part of the CSI mix. Economic and cultural diversity characterize the student bodies of our schools. Our schools service students regardless of their cognitive package or developmental complexities.

Our Employees

Excellence is imbedded in the learning cultures of our schools. In our schools teachers prepare students to connect learning to the messiness of life. Our teachers do this because it is their passion that our graduates enter this world equipped to straighten that which is crooked and to heal that which brings pain.

It's Thomas Jahl, a Princeton graduate who teaches at Cono Christian School in Cono, Iowa, working in a school designed especially for students who come from hard places — children that suffer through trauma, neglect, or family disruption. Mr. Jahl is at this school because he knows the power a school has when the school is intentional about creating a community where healing can take place. He teaches at Cono Christian because this Christian school is a safe place where the heart of the child is given voice. A place where spiritual growth takes place. A place where learning and maturity flourish.

It's Shaun La Rose, for example, an art teacher at Chattanooga Christian School in Chattanooga, Tennessee, who had his high school art students create a mural in a section of Chattanooga that is hungry for revitalization because he believes quality art that is visible in decaying neighborhoods provides stimulation for neighborhood revitalization.

Whether it's Iowa, Tennessee or any of the 22 states and U.S. Territories – including here in DC – where our schools are located, I could go on for hours with stories like these.

CSI Role in Our Communities

Our role in communities around the country is not insignificant. CSI represents $800,000,000 in education costs paid for by the private sector. We represent 10,000 wage earners representing a combined $450,000,000 in income. Our high school graduation rates exceed 95 percent—a statistic of significance when one recognizes the wide diversity of students that we serve. There is not a profession that is not dotted with our graduates—graduates who are motivated by a passion to fix and to heal. Graduates who have been shaped by Christian school teachers, the teachers we are talking about this morning.

The CSI Plan

CSI is proud that many of its members offer comprehensive retirement benefits to their committed employees through a traditional defined-benefit plan, a "multiple-employer" retirement plan (under § 413(c) of the Internal Revenue Code) that is operated to maximize retirement savings for employees, retirees, and their families and provide each employee the financial means to enjoy a comfortable and secure retirement.[1] It is not administered by a collective bargaining agreement – which differentiates us from union multi-employer plans, aka Taft/Hartley plans.

The CSI Plan (the "plan") provides comprehensive, guaranteed retirement benefits to over 11,000 employees and retirees throughout the United States. Our 300 U.S. member schools have as few as 5 employees, with a median of 25 employees. Our multiple-employer defined-benefit pension plan provides our members with a convenient and affordable mechanism to pool resources, maximize group purchasing power, and leverage economies of scale that would otherwise be unavailable to small employers like private and parochial schools. In fact, that is why CSI created the plan in 1943; it was recognized that no one school could do independently what we could establish together.

How the CSI Plan Works

The plan is funded by contributions that can be made in two ways. One way is for the school to contribute a set percent of pay for each employee and that same amount is contributed by each employee. A second way is for the school to make the total contribution. The pension benefit is based on the contributions made for/by an employee. For contributions made before September 1, 2005, the employee receives 30 cents annually for every dollar contributed. For contributions made on and after September 1, 2005, the employee receives 25 cents annually for every dollar contributed.

This formula treats all employees at each school the same since the benefits are based on contributions and the same percent of pay is contributed for all employees of the school – from principal to teacher's assistant to janitor.

PPA Rules Don't Fit Our Plan Design

The Pension Protection Act of 2006 (PPA) reflected the core, fundamental principle that a promise made is a promise kept. That is, it sought to strengthen the private retirement plan system with substantially increased funding requirements and improved disclosure to participants so that long service employees were more able to depend on a secure, financial retirement. We

[1] This permits CSI members to pool experience and expenses while being controlled by a single Plan Document with limited optional plan features for each employer. The Plan annually files one Form 5500 with the U.S Department of Labor. Each participating employer must execute an adoption agreement that binds them to the plan terms. For this reason we operate as a type of single-employer plan for some legal and administrative requirements, but each participating employer must meet other requirements, such as IRS nondiscrimination requirements, individually. Contributions to the Plan are pooled in a single trust and (unlike Master Prototype Plans) are available to pay benefits to employees of any of the participating organizations. Also, for funding purposes, the Plan is treated as one plan, rather than as a collection of single-employer plans, pursuant to Code section 413(c)(4)(B). This funding regime is very important to us, as it allows us to deal with funding issues with one overall approach, instead of some hundreds of different approaches.

strongly support these principles, and believe these principles are equally reflected in the Harkin/Roberts bill.

However, PPA's single-employer plan rules are specifically designed to protect the PBGC in case a single employer maintaining a plan goes bankrupt. In the case of a multiple-employer defined benefit plan maintained by charities or rural cooperatives ("CSECs", as explained below), the plan can continue to be maintained despite the bankruptcy of one or more of the participating employers. Thus, the rationale for the PPA single-employer plan funding rules does not apply to CSECs, since by design these plans pose <u>virtually no risk of default to PBGC.</u>

In PPA itself, Congress recognized its new pension funding rules were not appropriate for rural cooperative multiple-employer defined benefit plans, Accordingly Congress granted these plans a temporary exemption to stay under the pre-PPA rules *(See PPA Sec. 104)*. Congress later extended this treatment to eligible charities like CSI *(See Sec. 202, Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010; Pub. L. No 111-192).*

There are, however, two serious problems. First, the exemption runs out in 2017, at which time CSECs would be subjected to single-employer plan rules not designed for CSECs. Second, as soon as next year, elements of the pre-PPA funding rules, which currently apply to CSECs, could become very problematic, because certain elements of those pre-PPA funding rules were also designed to protect the PBGC with respect to single-employer plans.

Application of the inappropriate single-employer plan funding rules is so onerous for CSECs, like CSI's plan, that they can greatly interfere with our ability to fulfill our charitable and non-profit missions. The single-employer plan funding rules would cause our participating member schools to have to divert assets from serving their missions in order to overfund our plan causing unacceptable and unmanageable financial strain. This simply makes no sense.

<u>Harkin/Roberts Recognizes CSI Plan's Unique Plan Design</u>

The Harkin/Roberts bill would solve the above challenges by allowing these Cooperative and Small Employer Charity (CSEC) "multiple-employer" plans that are <u>already</u> temporarily excluded from PPA to choose between (1) staying excluded from PPA permanently (as CSI wants to do) or (2) jumping into PPA in 2014 if, due to unusual circumstances, that is helpful. In addition, the bill would modify the pre-PPA rules so that they fit the unique features of CSECs. In reality, the Harkin/Roberts bill "tweaks" PPA to fulfill its original intent – that it should not apply to CSEC plans.

Harkin/Roberts also resolves the inequity of plans that, by design, pose virtually no risk of default to the PBGC, by making scheduled increases in PBGC premiums inapplicable to CSECs. Recent increases to PBGC premiums were applied without consideration of the unique structure and low-risk profile of CSEC plans and without a thorough examination of the impact such increases would have on CSEC participants and beneficiaries. Harkin/Roberts would freeze current premium rates at 2013 levels – preventing scheduled increases – while the PBGC conducts a study to determine what CSEC premium rates should be. PBGC would then make recommendations to Congress. If Congress chooses not to act, premium rates would remain at 2013 levels.

According to publicly disclosed data compiled by PBGC, only 33 multiple-employer plans (covering just over 127,000 active employees) are currently exempt from PPA. Harkin/Roberts is narrowly targeted to only impact these existing plans.

Economic Downturn Impact on the Plan and Employees

In both good times and in bad times, CSI members have kept their promises to their employees and retirees, which has not always been easy. Congress specifically recognized the challenges faced by charities like CSI by granting a temporary exemption to stay under the pre-PPA rules in 2010. We believe providing employees with a secure retirement is critical to reward their commitment to providing our children with a bright future, and the best way to do that is to pass the Harkin/Roberts bill.

DB Plans Work for CSI, But Financial Challenges are Growing

We are looking toward the future, working with our members to maintain our plan going forward. Cost uncertainty is anathema to any entity, let alone a charity that sponsors an increasingly complex and expensive defined-benefit plan.

CSI members sometimes ask us: “If everyone else is cutting their defined benefit plans, why aren’t we?” Thankfully for us that has not happened, largely due to the unique multiple-employer plan design that reduces complexity and maximizes group purchasing power that would otherwise be unavailable while allowing schools to tailor benefits to meet their needs. Congress should continually examine new and innovative policies to encourage current plan sponsors to remain in the game and should reject policies that leave companies no choice but to abandon the system.

CONCLUSION

CSI strongly believes that any reforms to the retirement savings system should continue to encourage workers to provide for their own economic security, while encouraging employers to continue sponsoring benefit plans. We hope to continue our work with the Committee to address the challenges of administering and participating in a defined-benefit pension plan, particularly multiple-employer plans like CSI’s, so they remain a viable vehicle in the future for organizations trying to do the right thing: provide meaningful retirement benefits to their faithful employees. The best way to achieve this goal today is for each of you to **co-sponsor and approve the Harkin/Roberts Pension Bill as soon as possible.** I look forward to answering your questions.