

Preserve Benefits and Jobs Act

Introduced by Congressmen Earl Pomeroy (D-ND) and Pat Tiberi (R-OH)

Background: The Need to Preserve Pensions for Workers and Retirees

The stock market downturn in 2008 left some pension plans significantly underfunded. Congress enacted modest pension funding relief in the Worker, Retiree and Employer Recovery Act (WERA) in 2008 and the Department of the Treasury issued regulatory guidance for 2009 reducing employer contributions to manageable levels. Because of these changes, employer contributions are expected to increase by 13 percent in 2009. Without the changes the mandatory employer contributions were projected to increase by 200 percent.

Without significant recovery in the stock market in the coming months, many employers will face huge jumps in their mandatory contribution amount in 2010. This massive increase could cause many employers to have to lay off workers to meet the government mandated contribution increase.

The Pomeroy-Tiberi Proposal for Pension Funding Relief

Congressman Pomeroy and Tiberi believe Congress should pass reasonable pension funding relief to keep employees working and give them security in knowing their pensions will be there when they need them.

Pension Funding Relief:

- Employers need more time to recover their 2008 investment losses than the current seven-year period in order to keep workers employed or, in the worst case, to prevent companies from going bankrupt in these difficult economic times. This bill would provide struggling employers with the elective choices of (1) an extended contribution schedule of nine years with payments during the first two years consisting of interest-only; or (2) a fifteen year payment schedule.
- To take advantage of the longer payment schedules, employers would have to guarantee to offer ongoing retirement benefits and comply with certain conditions.
- Multi-employer plans that meet a solvency test would also be eligible for relief. Two options would allow employers to repay recent losses over a 30-year period, and employers would be unable to increase plan benefits for two years. (1) The bill would extend rehabilitation and funding improvement periods for the plans in endangered and critical status; or (2) the bill would facilitate mergers of funds and allows the Pension Benefit Guarantee Corporation (PBCG) to provide assistance when it can to lower long-term loss. This bill would also update PBGC benefit guarantees

Protects Workers and Retirees:

- Rather than losing their jobs and their pensions, this bill would give workers the security of knowing they will continue working and receive their pension when they need it.
- This bill would encourage employers to keep pensions active so workers' benefits would continue to grow.
- Worker and retirees' protections enacted in WERA against pension benefit accruals being frozen in 2009 and 2010 would continue under this bill.
- By prohibiting pension plans from being drained by lump sum ad hoc benefits to certain individuals, future retirees would be protected.
- The date when pensions are guaranteed would change to the date of the plan termination.