



AMERICAN BENEFITS  
COUNCIL

**ACTION ALERT**

**Contact your congressional representatives to state your dissatisfaction with budget deal**

**ACTION REQUESTED:** Contact your elected representatives in the U.S. Senate and House of Representatives as soon as possible to object to the defined benefit plan premium increases included in the Bipartisan Budget Act of 2015 (H.R. 1314).

**BACKGROUND:** As we reported in the [October 27 Benefits Byte](#), Congressional leaders have reached agreement on H.R. 1314, a budget measure that would to raise federal spending caps and raise the debt ceiling.

Included in the package is a series of revenue-raising provisions, most notably an increase in the premiums paid by single-employer defined benefit plans to the Pension Benefit Guaranty Corporation (PBGC). Since the measure was released on October 27, the increases have been hiked even further:

	Current law	Under H.R. 1314
<b>Flat rate premium</b>	\$64 per person in 2016 adjusted for inflation annually	\$69 per person in 2017 \$74 per person in 2018 \$80 per person in 2019 Indexed for inflation thereafter
<b>Variable rate premium</b>	\$30 per \$1,000 of underfunding in 2016 adjusted for inflation annually	Continues to be adjusted for inflation, with the following additions: Adds \$3 to indexed rate in 2017 Adds \$4 to indexed rate in 2018 Adds \$4 to indexed rate in 2019

These increases are unwarranted and inappropriate because:

- They were included in the budget package without prior discussion, study or congressional hearings to discuss the policy merits of PBGC increases and will have a deleterious effect on the PBGC’s premium base
- Congress previously increased premiums in 2012 and 2013, each time as part of transportation funding legislation. The result was an increased exit of healthy plans from the defined benefit pension system.
- A study commissioned by the Council, [Further PBGC Premium Increases Pose Greatest Threat to Pension System](#), made clear that “premium increases threaten the long-term viability of the defined benefit pension system and PBGC’s plan termination insurance program by driving away employers that present no risk to the system.”

- The PBGC's [Fiscal Year 2014 Projections Report](#), issued just last month, revealed that the financial condition of the single-employer pension insurance program has significantly improved, "continues to be likely to improve" and "is highly unlikely to run out of funds in the next 10 years." In fact, PBGC ran 5,000 different simulations and PBGC did not run out of funds in any of the scenarios.

Despite the other helpful pension provisions included with the package, PBGC premium increases have the potential to seriously damage the defined benefit plan system by eroding the base of plan sponsors.

**HOW TO TAKE ACTION:** Contact your elected representatives' offices ([you can find them here](#)) and tell them that you and/or your organization oppose the inclusion of pension premiums as a revenue raiser for unrelated matters. Urge your representatives to speak out on this matter.

For more information on the budget deal, contact [Diann Howland](#), vice president, legislative affairs. For more information on defined benefit plan matters, contact [Lynn Dudley](#), senior vice president, global retirement and compensation policy. Both can be reached at (202) 289-6700.