



AMERICAN BENEFITS
COUNCIL

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Study of 700+ companies reveals:
**Funding rules could result in \$24 billion diverted
from economic recovery, almost 500K lost jobs**

WASHINGTON, DC – The American Benefits Council has completed the first study of the effects of the current health and economic crises on the defined benefit plan system, with sobering results.

“Among the many devastating effects of the ongoing pandemic is the profound harm inflicted on employee pensions,” said Lynn Dudley, senior vice president, global retirement and compensation policy. “Without swift intervention by Congress, this damage could pose a serious impediment to our economic recovery.”

The key findings of the study were:

- **703 companies participated in this study.** The companies were primarily larger, but over 70 smaller companies were included.
- **On average, funding obligations are projected to increase over 98% from 2020 to 2021.** At a time when companies are struggling to stay afloat, this is a shocking and unnecessary increase. There is no need for such a debilitating increase since today’s abnormal conditions bear no relationship to the companies’ ability to pay for pension obligations that may be as many as 50 years away.
- **Just among these 703 companies, this increase results in them owing over \$9 billion more for 2021 than for 2020.**
- **Why is this increase in funding obligations occurring?** This is a direct result of (1) the economic crisis and (2) the structure of the funding rules. In an economic downturn, the

funding rules require plan asset losses to be made up very quickly, and these losses can be billions of dollars.

- **If the original U.S. House of Representatives version of the Coronavirus Aid, Relief, and Economic Security (CARES) Act were enacted, it would save these 703 companies over \$12 billion for 2021.** What the House provision would do in the aggregate is undo the severely adverse effects of the current crisis by returning funding levels just slightly below 2020 levels. This is not relief, it is stabilization: preventing the crisis from unnecessarily costing jobs and jeopardizing businesses based solely on the volatile quirks of the funding rules.
- **This study covers only 3% of all PBGC insured plans. Total savings from the House provision would likely be well over \$24 billion in one year.** Based on the most recent PBGC data, there are over 23,000 PBGC-insured plans. Even if we exclude plans with under 1,000 participants, there are over 2,500 such plans, almost four times the size of our study. If the House funding provisions are enacted, at a minimum, is hard to imagine that the national savings for all plans in the country are not at least double the savings for our 703, *bringing the total savings to over \$24 billion in one year. If we use \$50,000 as a proxy for an annual salary, this would translate into 480,000 jobs.*

For more information, or to arrange an interview with the Council's retirement policy team, contact Jason Hammersla, Council vice president, communications, at jhammersla@abcstaff.org or by phone at (202) 422-4652 (cell).

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The Council is a public policy organization whose members include over 220 of the world's largest corporations, as ranked by Fortune and Forbes. Collectively, the Council's members either directly sponsor or administer health and retirement benefits for virtually all Americans covered by employer-sponsored plans.