

# ACTION ALERT



April 24, 2020

## **Congress needs to hear from companies regarding pension funding stabilization, PBGC premium relief: Council study paints sobering picture**

### **Action Requested**

Please contact key congressional leaders to urge their support for single employer defined benefit pension plan reform in the next round of pandemic relief legislation and ask the Senators and Representatives where your company has a presence to support pension interest rate stabilization for these plans. Please also inform us if you would be willing to join us for virtual meetings with lawmakers.

Important data to support our request and suggested “talking points” are provided below.

### **Background**

The pandemic and resulting impact on business operations and the stock market have devastated revenue and pension asset values for many companies. The path forward is fraught with challenge, and now more than ever companies need to be able to count on longer-term pension funding stabilization.

The Council is urging lawmakers to include stabilization of pension funding and Pension Benefit Guaranty (PBGC) premiums in the next phase of coronavirus economic relief legislation. Our specific recommendations are outlined in [an April 7 letter to Congress](#).

Two proposals that were strongly considered in a prior round of economic stimulus legislation would address this problem: (1) extending and enhancing “interest rate stabilization,” which adjusts current interest rates to be closer to historical norms, and (2) allowing employers to pay-off pension liabilities, including those attributable to the crisis, over 15 years, instead of seven years. These proposals also ensure that all pension benefits are fully funded over a more manageable time period.

The Council proposal also includes two other stabilization recommendations that would, on a temporary basis:

- Extend the CARES Act provision allowing plans to use prior funded status for purposes of determining benefit restrictions (and thereby help many plan sponsors avoid being compelled to make those restrictions).
- Allow asset smoothing by applying the pre-2006 rules regarding actuarial value of assets for plan years beginning after February 29, 2020, and on or before July 1, 2021. These rules provide for recognition of unexpected gains and losses in assets over a five year period, and provide that the actuarial value of assets must be within 20% of fair market value.

In addition, the Council continues to address, on a permanent basis, excessive levels of PBGC premiums. The Council's long-term proposal and premium talking points can be accessed below. However, in light of the current crisis, the Council proposal would, for plan years beginning in 2020 and 2021, lower the cap on the variable rate premium to \$83 (i.e., the same level as the flat rate premium, so that the maximum per-participant premium would be \$166). This would provide important relief for many plan sponsors.

### **Data and Talking Points**

[A Council study of more than 700 companies](#) reveals that funding obligations are projected to increase by more than 98% from 2020 to 2021. The study also indicates that these previously considered proposals would save over \$24 billion in one year and almost 500,000 jobs.

[These and other talking points are available here.](#) Please send the Council a copy of your message to the elected officials or let us know what response you received if you called.

### **Contact Congress**

The following leadership offices should be considered high priority:

[Senate Republican Leader Mitch McConnell \(R-KY\)](#)

[Senate Democratic Leader Charles Schumer \(D-NY\)](#)

[Speaker of the House Nancy Pelosi \(D-CA\)](#)

[House Republican Leader Kevin McCarthy \(R-CA\)](#)

[Senate Finance Committee Chairman Charles Grassley \(R-IA\)](#)

[Senate Finance Committee Ranking Democrat Ron Wyden \(D-OR\)](#)

[House Ways and Means Committee Chairman Richard Neal \(D-MA\)](#)

[House Ways and Means Committee Ranking Republican Kevin Brady \(R-TX\)](#)

[Senate Health, Education, Labor and Pensions Committee Chairman Lamar Alexander \(R-TN\)](#)

[Senate Health, Education, Labor and Pensions Committee Ranking Democrat Patty Murray \(D-WA\)](#)

[House Education and Labor Committee Chairman Bobby Scott \(D-VA\)](#)

[House Education and Labor Committee Ranking Republican Virginia Foxx \(R-NC\)](#)

You can also find your local representatives here:

[Find your congressional representative by address](#)

[Click here for a list of Senators, sorted by state, and their phone numbers.](#)

[Click here for a list of House Representatives, sorted by state, and their phone numbers.](#)

You can also reach the U.S. Capitol switchboard at (202) 224-3121.

### **Contact the Council**

For more information or assistance connecting with members of Congress, contact

[James Klein](#), president

[Lynn Dudley](#), senior vice president, global retirement and compensation policy

[Diann Howland](#), vice president, legislative affairs

[Jill Randolph](#), senior director, legislative affairs