Concerns about the Pending Pension Funding Relief Bill

Single Employer Funding Relief

- Based on initial analysis of this legislation, PBGC estimates that provisions to reduce pension contributions would add approximately $3 billion in claims on the pension insurance system over the next 10 years.
- In addition to the claims on PBGC, workers would lose billions in unfunded pension benefits not guaranteed by the pension insurance system.
- The Pension Protection Act of 2006 already provided substantial near-term funding relief to employers relative to previous law, as a transition to stronger pension funding over the long term; the proposed provisions would add to PPA’s near-term reductions in pension funding and thereby increase near-term strains on the pension system.
- The current market downturn need not be reflected in higher pension contributions by employers until September 2010. Current law permits quarterly contributions throughout 2009 that are 25% of the amount the employer paid in 2008. It remains to be seen what level of pension contributions will be required in September 2010 under current law, but the proposed funding relief would lock in further pension underfunding that would be felt for several years in both a worsened PBGC deficit and lost benefits to workers.

Multi-Employer Funding Relief

- The funding relief bill would provide multi-employer plan sponsors with an exemption from complying with the funding rules of ERISA and the Code. This would eliminate important incentives for employers to contribute funding as necessary to prevent an increase in underfunding.

Smoothing

- The Administration has no objection to the bill’s smoothing provisions.
- The Administration opposes industry-specific funding relief, such as the smoothing provisions offered for airlines, though the systemic impact of this provision is minimal.

Tribal Plans

- The bill contains a substantial change that would remove Federal law providing benefits security to more than 100,000 workers holding more than $1 billion in assets in tribe-sponsored plans for commercial workers.
- Current law provides a comprehensive legal framework guaranteeing workers rights to dispute benefit claims and seek redress in court. It also makes plan fiduciaries personally liable for breaching their duty to act solely in the interest of workers.
- It is unknown whether any tribes have laws that would approximate current legal protections for workers, and it is unknown what rights or remedies tribe members and non-tribe members would have in tribal courts in benefit disputes.