



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

December 15, 2005
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 2830 - Pension Protection Act of 2005

(Rep. Boehner (R) OH and 16 cosponsors)

The Administration supports House passage of H.R. 2830. In particular, the Administration supports the bill's provisions to: amortize pension plan underfunding over a seven-year period; value pension liabilities using a yield curve; enhance the transparency of pension plan financial information to workers; restrict the ability of plan sponsors with severely underfunded plans to make additional pension promises without paying for them; and set pension insurance premiums at a level that better recognizes the risks that underfunded plans pose to workers and the Pension Benefit Guaranty Corporation (PBGC).

The Administration believes that the final bill should strengthen pension protections in several respects, including: liabilities should be computed using uniform mortality assumptions that reflect recent and projected improvements in future longevity; liability values should be measured with a yield curve of high-quality bonds; unnecessary delays in establishing full funding targets and in restricting unfunded benefit increases should be eliminated; funding requirements should adequately reflect the current financial health of the plan sponsor; asset and liability values should be measured in an accurate manner that minimizes distortions caused by smoothing; the use of credit balances should be eliminated; shutdown benefits should not be funded with pension plan assets; more companies should be required to provide more complete and current financial data to the PBGC; and variable-rate premiums should be based on total plan liabilities.

The Administration understands that a managers' amendment may be offered during floor consideration, which would partially address the above-specified Administration concerns on the issue of mortality. The Administration believes that the passage of this provision will improve H.R. 2830.

Before being sent to the President for signature, the legislation must be strengthened with respect to the level of required plan contributions and premiums that are needed to return the PBGC to solvency and avert a taxpayer bailout. If the net effect of a final pension conference report is to weaken funding requirements for pension plans relative to current law, the President's senior advisors will recommend a veto of that conference report.
