AMERICAN ACADEMY of ACTUARIES

NEWS RELEASE

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Academy Cautions Congressional Leadership on Risks of Using Pension Provisions as Revenue Offsets

WASHINGTON—The American Academy of Actuaries, the public policy and professionalism voice of the U.S. actuarial profession, today cautioned congressional leaders on the risks of prolonging reduced funding requirements for private pensions or increasing Pension Benefit Guaranty Corporation (PBGC) premiums, without fully considering the effects of such legislative actions on pension system stakeholders.

"Members of Congress need to make informed decisions based on all of the best possible information, including potential downside risks," said Academy Senior Pension Fellow Donald Fuerst. "Some recently discussed proposals could have serious consequences, including reduced benefit security and increased incentives to eliminate plans."

In an April 17 letter addressed to the bipartisan, bicameral congressional leadership, the Academy's Pension Practice Council urged that proposed changes to pension funding rules and insurance premiums be evaluated "based primarily on their effect on the private sector pension system and its stakeholders (participants, sponsors, and the PBGC), rather than primarily as a means to offset spending for other purposes."

The Senate-amended version of the Emergency Unemployment Compensation Act of 2014 (H.R. 3979) could provide a revenue offset by extending the 2012 pension funding provisions of the Moving Ahead for Progress in the 21st Century Act (MAP-21), which were intended to provide plan sponsors with short-term relief due to economic conditions. However, the rates set by these provisions, which are based on a 25-year average of corporate bond rates, do not provide a meaningful measure of pension obligations for reporting purposes, and have other, potentially serious consequences.

(MORE)

A companion letter to congressional leadership sent by the Pension Finance Task Force, co-sponsored by the Academy, detailed some of the consequences: "Extending these temporary provisions accelerates tax revenue while deferring the pension cost to future generations, distorts the pension measurements, and undermines the benefit security of plan participants while increasing the risk exposure to the PBGC."

The Pension Practice Council's letter also warned that additional PBGC premium increases being considered in Congress would increase the cost of plan sponsorship and could accelerate the rate of plan closures, plan terminations, and other sponsor efforts to transfer risks to participants.

Learn more by visiting the pension section of the Academy's website under the "Public Policy" tab at www.actuary.org.

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Media Only: To set up an interview with Academy Senior Pension Fellow Donald Fuerst, contact David Mendes, assistant director of communications, public affairs, at mendes@actuary.org or 202.384.2075.