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Actuaries Urge Congress to be Careful With Pension Funding Rules for Multiemployer Pension Plans

(Washington, D.C. – February 22, 2005) The American Academy of Actuaries has released the issue brief, [Principles of Pension Funding Reform for Multiemployer Plans](#), asking Congress that when it considers pension funding reform for single-employer pension plans, that it carefully evaluate any potential impact it may have on multiemployer pension plans.

“Many of the current funding rules take into account the special needs of multiemployer plans. If Congress makes significant changes in the rules of single-employer plans, as we anticipate, they need to carefully evaluate if those rules should also apply to multiemployer plans,” said Kenneth A. Kent, vice president of the Academy Pension Practice Council.

Multiemployer pension plans are defined-benefit plans that typically cover employees in an industry or trade in a geographic area, or group related occupation represented by the same union. According to the Pension Benefit Guaranty Corporation (PBGC), there are approximately 1,600 multiemployer defined-benefit pension plans in the United States. In 2003, 9.7 million participants were covered under multiemployer plans. Multiemployer defined-benefit pension plans differ from single-employer pension plans in the areas of funding mechanisms, risk sharing, and governmental guarantees. They are also different from single-employer plans because all of the assets and liabilities are a shared responsibility of the participating employers and are not segregated or credited to any one employer.

The Academy Multiemployer Plans Task Force urges Congress to follow eight principals when reforming pension-funding rules for multiemployer plans. The principles are as follows 1). Do no harm 2). Provide benefit security 3). Encourage transparency 4). Provide predictable funding 5). Include incentives to fund with flexibility 6). Provide simplicity 7). Avoid moral hazards, and 8). Offer smooth transitions.

To see the issue brief, go the Academy Web site at www.actuary.org. To interview Kenneth A. Kent, please call Tracey Young at 202-785-7872, or e-mail at young@actuary.org

http://www.actuary.org/pdf/pension/funding_issuebrief_05.pdf

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