



---

AMERICAN ACADEMY *of* ACTUARIES

---

*Objective. Independent. Effective.™*

April 17, 2017

The Honorable Mitch McConnell  
Senate Majority Leader  
United State Senate  
S-230 Capitol Building  
Washington, DC 20510

The Honorable Chuck Schumer  
Senate Democratic Leader  
United States Senate  
S-322 Capitol Building  
Washington, DC 20510

**Re: Pension Related Revenue Offsets**

Dear Majority Leader McConnell and Democratic Leader Schumer:

The Pension Practice Council of the American Academy of Actuaries<sup>1</sup> has concerns about recent legislation scored by the Congressional Budget Office (CBO) as raising revenue from the private sector pension system to offset unrelated spending increases. Provisions in this recent legislation appear to raise revenue, but this appearance is due to anomalies in the current scoring mechanism. We believe that this scoring approach should be changed.

Pension Benefit Guaranty Corporation (PBGC) premiums are deposited into on-budget revolving funds, and the receipt of these premiums is now counted as revenue without any offset for the payment of benefits that will be provided by those premiums. This treatment would be appropriate if the premiums could be used for purposes unrelated to the PBGC or if general revenues could be used to support the PBGC. But the premiums have been collected from plan sponsors solely to support the PBGC's guaranteed level of retirement income from employer-sponsored pension plans. Diverting premiums to other purposes is not permitted under current law. Nor does current law allow the PBGC to draw on other federal revenues to provide the retirement income it guarantees.

The Bipartisan Budget Act of 2015 increased premium rates substantially and accelerated the pension premium due date by one month for the 2025 plan year only. For the typical pension plan with a calendar year plan year, this changed the due date from October 15, 2025 to

---

<sup>1</sup> The American Academy of Actuaries is a 19,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

September 15, 2025, thus adding an eleventh year of premium receipts to the federal government's ten-year budget scoring window. In addition, the Senate Finance Committee reported legislation, S.3471, the Retirement Enhancement and Savings Act of 2016 in the 114<sup>th</sup> Congress, which contained a similar provision that would have moved forward the due date for the 2026 premium payments by one month, creating the same effect as the 2025 acceleration.

We have seen no analysis of how the premium increases or changes to premium due dates are necessary to support the solvency of the PBGC. Absence of this analysis contributes to a perception that these provisions were included solely because of their effect on the budget. But the beneficial effect on the budget is illusory; any additional revenue from premiums is available only to the PBGC. Premium increases and timing changes do not accomplish what we presume was intended: making revenue available to offset other costs. Therefore, premium increases should not be scored as revenue in the budget process.

We observe that S. 270 and H.R. 761—both introduced earlier this year—would address this very issue. These bills prevent PBGC premiums from being inappropriately counted for budget scoring purposes. Passage of such legislation would better align the scoring of PBGC-related legislation with its financial impact.

We understand that the scoring of the retirement provisions is typically estimated as part of standardized processes that are also applied to a broad range of other initiatives. However, our proposed approach of excluding premiums in the scoring process would more appropriately align with the administration and practical operation of the PBGC.

\*\*\*\*\*

We appreciate your attention to these concerns. We would be happy to meet with you at your convenience to provide additional perspectives on this issue. If you have any questions or need further information, please contact Monica Konaté, Pension Analyst (konate@actuary.org; 202-223-8196).

Sincerely,

William R. Hallmark, MAAA, ASA, EA, FCA  
Chairperson, Pension Practice Council  
American Academy of Actuaries