



House Introduces Broad Pension Reform Legislation

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Yesterday, House Education and Workforce Committee Chairman John Boehner (R-OH) and Ways and Means Committee Chairman Bill Thomas (R-CA), along with several other key House members, introduced the Pension Protection Act (H.R. 2830). The bill is intended to be a comprehensive approach to pension reform, with provisions on funding, PBGC premiums, disclosure, advice and multi-employer plans. Chairman Boehner also introduced yesterday the Pension Preservation & Portability Act (H.R. 2831), stand-alone legislation dealing with cash balance plan issues. Boehner described the cash balance bill as a starting point for discussions and pledged to include a cash balance provision in H.R. 2830 during committee markup, which is expected in the near future.

The text of the bills is available at:

H.R. 2830 <http://edworkforce.house.gov/issues/109th/workforce/pension/hr2830.pdf>

H.R. 2831 <http://edworkforce.house.gov/issues/109th/workforce/pension/hr2831.pdf>

Below is a short summary of some of H.R. 2830's key provisions:

Funding

- Provide a permanent interest rate based on a modified "yield curve" for employers to accurately measure current pension liabilities as they come due.
- Require employers to make sufficient contributions for plans to meet a 100 percent funding target.
- Require employers to make additional contributions to erase funding shortfalls over seven years.
- Trigger accelerated contributions if a plan's funded status falls below 60 percent.
- Reduce the smoothing of interest rates to protect plans against market and funding volatility.
- Prohibit employers from using credit balances if their plans are funded at less than 80 percent.

- Permit employers to make additional maximum deductible contributions of up to 150 percent of current liability.
- Prohibit employers and union leaders from increasing benefits or paying lump-sum distributions if a plan is less than 80 percent funded.
- Prohibit further benefit accruals for plans funded at less than 60 percent.
- Restrict the use of deferred executive compensation arrangements for employers with severely underfunded plans.

PBGC Premiums

- Raise premiums employers pay to the PBGC but phase in the increase over time.
- Raise the flat per-participant rate premium from the current \$19 to \$30 over three years for pension plans that are less than 80 percent funded.
- Increase the flat-rate premium to \$30 for plans funded at more than 80 percent over five years.
- Index the flat-rate premium annually to worker wage growth thereafter.
- Index the variable-rate premium, currently \$9 per participant per \$1,000 of underfunding, annually to worker wage growth.

Multiemployer Plans

- Identify underfunded multiemployer pension plans and provide quantifiable benchmarks for measuring a plan's funding improvement.
- Change the amortization schedule for any plan benefit amendments from 30 years to 15 years.
- Increase the maximum deductible limit to 140 percent of current liability, providing additional funding flexibility for plans each year.
- Require plan trustees to improve the health of the plan by one-third within 10 years if a plan is less than 80 percent funded or if it will hit a funding deficiency within seven years.
- Prohibit benefit increases if the increases cause the plans to fall below 65-percent-funded status.
- Establish new funding standards, possible benefit restrictions, and new notice requirements for multiemployer plans that are funded at less than 65 percent.

Disclosure

- Require both single-employer and multiemployer plans to include more detailed and specific information on their Form 5500 filings, the equivalent of a pension plan's federal tax return.
- Enhance Form 4010 disclosure requirements and make all Form 4010 information filed with the PBGC available to the public, except for sensitive corporate proprietary information.
- Require both single-employer and multiemployer pension plans to notify workers and retirees of the funded status of their plans within 90 days after the close of the plan year.
- Require both single-employer and multiemployer pension plans to provide the summary annual report notice to workers and retirees within 15 days of the Form 5500 filing deadline.

Advice

- Implement a comprehensive investment advice proposal that has passed the House three times with significant Democrat support, twice in the 107th Congress and once in the 108th Congress.
- Allow employers to provide rank-and-file workers with access to qualified investment advisers who can inform them of the need to diversify and help them choose appropriate investments.
- Include tough fiduciary and disclosure safeguards to ensure that advice provided to employees is in their best interest.

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