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Pensions should not be used as a 'piggy bank'

Budget deal raises pension premiums without regard for sound policy

WASHINGTON, DC — "For the third time in four years, Congress has hiked pension premiums to pay for unrelated spending priorities, without regard for what it means to employers, workers and retirees. Raising premiums every time Congress needs several billion more dollars must stop – and stop now," Council President James A. Klein said today, reacting to the U.S. House of Representatives approval of the latest budget deal.

The Bipartisan Budget Act of 2015 (H.R. 1314) raises the premiums that employer sponsors of pensions must pay to the government's Pension Benefit Guaranty Corporation (PBGC). The initial budget deal would have raised billions of dollars in pension premiums. Last night, when leaders discovered the deal was a few billion dollars short, they went back and raised billions more.

"If policymakers are serious about Americans' retirement security, they need to stop using employer-sponsored plans as a piggy bank," Klein said.

"The timing of this provision is particularly baffling since the PBGC's recent Fiscal Year 2014 Projections Report confirmed that the financial condition of the single-employer pension program has significantly improved and has ample assets to pay benefits well into the future. The irony is that by continually increasing premiums -- including on fully-funded plans -- Congress and the President are compelling more and more employers to exit the system which shrinks the premium base on which the PBGC relies," Klein noted.

In the wake of previous increases in 2012 and 2013, the Council commissioned an independent research report, Further PBGC Premium Increases Pose Greatest Threat to Pension System, which validated that "premium increases threaten the long-term viability of the defined benefit pension system and PBGC's plan termination insurance program by driving away employers that present no risk to the system."

"We recognize that the budget agreement also extends previously-enacted pension funding stabilization measures and provides some relief related to assumptions that pension actuaries are supposed to use. That's welcome news. But those provisions are intended to make it easier for employers to keep their pension plans and therefore have a sound policy purpose. By contrast, incessant premium increases drive employers away from plan sponsorship, undermining pension security for workers and retirees and ultimately eroding PBGC's financial integrity," Klein concluded.

For more information on health policy issues, or to arrange an interview with Klein or Lynn Dudley, senior vice president, global retirement and compensation policy, please contact Jason Hammersla, Council senior director of communications, at jhammersla@abcstaff.org or by phone at 202-289-6700 (office) or (202) 422-4652 (mobile).

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The American Benefits Council is the national trade association for companies concerned about federal legislation and regulations affecting all aspects of the employee benefits system. The Council's members represent the entire spectrum of the private employee benefits community and either sponsor directly or administer retirement and health plans covering more than 100 million Americans.