

Client Bulletin

House Ways and Means Committee hearing on pension funding relief

On October 1, 2009, the House Ways and Means Committee held a hearing on pension plan funding levels. The committee heard from pension experts testifying that defined benefit pension plan funding levels fell significantly during the market downturn and could face substantially higher required funding contributions in 2010. Bill Nuti, chairman and chief executive officer of NCR testified on behalf of the American Benefits Council and noted that NCR's pension plan fell from 110 percent funded to 75 percent funded during 2008. He stated that the severe recession that occurred last year could require businesses to put money into their pension plans rather than business operations. He also remarked that without further relief, companies might be forced to reduce employment as they cut costs to make room for pension funding.

Draft legislation written by Rep. Earl Pomeroy, D-North Dakota would provide companies with more time to shore up their pension plans. Although facing a crowded legislative calendar dominated by health care reform, Pomeroy had confidence that a bill could be approved by the end of the year. Referring to the realization that the details of the relief legislation need to be worked out, Pomeroy said "There are things that have to be done this year right now or there are going be jobs unnecessarily lost." Other bills have also been introduced to provide funding relief. All of the measures would allow companies to make interest-only payments for two years on their 2008 losses and then give them seven years to amortize pension shortfalls. The measures also provide companies with more flexibility in selecting the interest rates they use to calculate their pension payments. On October 27, 2009, Rep. Pomeroy and Rep. Pat Tiberi, R-Ohio introduced a new bill to enact these and other amendments to ERISA to assist companies with pension funding relief. An additional funding option in the recently released bill would allow companies to utilize a fifteen year payment schedule to meet their pension funding requirements.

We will send out additional updates as this legislation is being finalized. If you have any questions regarding this or any retirement plan issues, please contact us at your convenience. Our contact information can be found at the bottom of this bulletin.