

# Republicans Threaten Retirement Security Of Americans By Repeatedly Failing To Act On Private Pension Underfunding

<p>Priority Pension Reforms Recommendations by GAO or PBGC on September 4, 2003</p>	<p>Background on Recommendations</p>	<p>Status of Action by the Republican Congress</p>
<p><b>Repeal Laws Keeping Pension Status Secret from the employees and investors</b></p> <p>GAO and PBGC support legislation that would allow employees of a company to get up to date information on the financial condition of its pension plan, especially when it is underfunded. Currently, companies that are underfunded not required to disclose to employees or investors information it annually provides to the Pension Benefit Guaranty Corporation on the financial status of its pension plan.</p>	<p>Current law keeps critical information about the real financial condition of a defined benefit plan secret from employees and investors</p>	<p><b><u>NO ACTION</u></b></p> <p>Although the Bush Administration says it supports more transparency, it failed to persuade the Republican leadership in Congress to take any action. House Republicans have refused to act on legislation (H.R. 3005, George Miller-CA) to open information on pension shortfalls and financial status to employees and investors</p>

<p><b>Reform of minimum funding rules for pension plans</b></p> <p>Inadequate minimum funding rules have left many large pension plans hundreds of millions short of the balance needed to assure pensions to employees if a plan is terminated. The GAO and PBGC called for substantial reform of these rules to protect employees.</p>	<p>Current pension funding rules only require companies to fund <i>current</i> liabilities, not the amount of liabilities necessary if the pension plan terminates or fails. Also, plans have been permitted to game the funding rules by using “funding credits” to avoid minimum payments.</p>	<p><b><u>NO ACTION</u></b></p> <p>Congress passed a temporary bill this year that actually <i>weakened</i> the funding requirements for pension plans by allowing the plans to assume lower future liabilities in their actuarial assumptions.</p>
<p><b>Address inadequate premium structure for PBGC insurance</b></p> <p>The PBGC has a record deficit of approximately \$10 billion. The GAO has made clear that the premiums collected for the pension insurance program are inadequate to pay expected liabilities. Two possible recommendations: (1) increasing the fixed rate premium (currently \$19 per participant annually), and (2) changing the current variable rate premium paid by higher risk plans, currently at \$9 per 1,000 of underfunded liability.</p>	<p>The GAO and PBGC found that the variable rate premiums as structured “did not provide sufficient incentives for the sponsors of the plans...to adequately fund their plans.”</p> <p>Premiums have not been increased since 1994.</p>	<p><b><u>NO ACTION</u></b></p>

<p><b>Modify full funding limits to allow companies to contribute more contributions in good times</b></p>	<p>Current pension and tax laws prohibit pension contributions from becoming tax deductible for plans with assets at 100 percent of current liability. The GAO suggests considering an increase to 130 percent of current liabilities. This change, the GAO says, could result in “pension plans being better funded, decreasing the likelihood that they will be underfunded should they terminate.”</p>	<p><b><u>NO ACTION</u></b></p>
<p><b>Investment changes/independent audits</b></p> <p>The DOL inspector general has recommended that pension plans receive independent, full audits rather than relying on non-audited financial statements authorized by varying state laws.</p>	<p>The US Inspector General for the Department of Labor has warned for many years that the financial statements of pension plans are not properly audited due to weaknesses of ERISA auditing requirements that require less than a full financial audit of a plan’s investments.</p>	<p><b><u>NO ACTION</u></b></p> <p>Previous Departments of Labor have asked Congress to change the law, but the Bush DOL has taken no action</p>