URGENT NRLN Action Alert: Don't Put Pensions At Risk for Highway Funding

(Add contact@nrln.org to your email address book)

On Thursday, July 10, both the Republican-led House Ways & Means Committee and the Democratic-led Senate Finance Committee passed, by voice vote, bills approaching $11 billion intended to keep the federal highway program funded through May 2015. Unfortunately, much of the new revenue would come from "pension smoothing," an accounting move that allows companies to delay contributions to employee pension plans.

"Pension smoothing" boosts short-term corporate profits, producing more tax revenue collected by the U.S. Treasury. The House Ways & Means Committee bill would raise $6.4 billion through pension fund-related revenue changes. The Senate Finance Committee bill would raise an estimated $2.7 billion.

It is the second time in two years that Congress is moving toward giving corporate pension plan sponsors pension funding relief. In 2012 Congress passed what is euphemistically called "Moving Ahead for Progress in the 21st Century" (MAP 21) as part of the highway transportation bill that provided a five-year relief window. The new House bill extends corporate pension contribution relief passed in MAP 21 for five more years while the new Senate bill extends it for three years.

MAP 21 has relieved funding obligations for companies that have elected to apply it but it has not eased the pension funding crises; instead, it has masked it. MAP 21 relief in its original form and in the new bills is temporary. Unless plans are well funded by company contributions or interest rates rise substantially, we are likely to see weaker plans and continued plan terminations after the expiration of "pension smoothing".

Since the rate relief does not have to be disclosed by all plan sponsors, it permits inaccurate and misleading disclosures in Funding Target Attainment Percentage (FTAP) tables and dilutes the purpose for which Annual Funding Notices (AFNs) were created to disclose accurate actuarial and financial data on assets and liabilities to pension plan participants.

Allowing pension plan sponsors to use unrealistic pension rate calculations could lead to the Pension Benefits Guaranty Corporation eventually having to take over underfunded pension plans and increase the PBGC's deficit and could put taxpayers on the hook to bailout the agency.

The House Ways & Means Committee bill is expected to be voted on in the House this coming week (July 14 – 18). The Finance Committee bill could also be voted on in the Senate soon. **I'm asking that you immediately respond to this Action Alert and send the NRLN's sample letters to your U.S. Representative and Senators to urge them not to use "pension smoothing" to gain revenues to shore up the Highway Trust Fund.**

It would also help to call your Representative's and Senators' Washington, DC or state/district office to voice your opposition to extending pension funding relief for corporate pension plan sponsors. Use the information in the sample letter to say Don't Put Pensions At Risk for Highway Funding**. Click here** (http://www.congressweb.com/nrln/legislators) to access the NRLN website to find your Representative's and Senators' office locations and phone numbers.

Bill Kadereit, President
National Retiree Legislative Network

//

Sample Letters:

Dear Representative _____________:

As you may be aware, a House vote is coming up on the Ways & Means Committee bill (Highway and Transportation Funding Action of 2014 - H.R. 5021) that would provide $10.9 billion to the Highway Trust Fund to extend its funding through May 2015. I urge you to vote against this bill because $6.4 billion would be raised by extending corporate pension plan funding relief ("pension smoothing").

It is the second time in two years that Congress is moving toward giving corporate pension plan sponsors pension funding relief. In 2012 Congress passed what is called "Moving Ahead for Progress in the 21st Century" (MAP 21) as part of the highway transportation bill that provided a five-year relief window. The new House bill extends corporate pension contribution relief passed in MAP 21 for five more years.

MAP 21 has relieved funding obligations for companies that have elected to apply it but it has not ease the pension funding crises; instead it has masked it. MAP 21 relief in its original form and in the new bills is temporary. Unless plans are well funded by company contributions or interest rates rise substantially, we are likely to see weaker plans and continued plan terminations after the expiration of "pension smoothing".

Since the rate relief does not have to be disclosed by all plan sponsors, it permits inaccurate and misleading disclosures in Funding Target Attainment Percentage (FTAP) tables and dilutes the purpose for which Annual Funding Notices (AFNs) were created to disclose accurate actuarial and financial data on assets and liabilities to pension plan participants.

Allowing pension plan sponsors to use unrealistic pension rate calculations could lead to the Pension Benefits Guaranty Corporation eventually having to take over underfunded pension plans and increase the PBGC's deficit and could put taxpayers on the hook to bailout the agency.

Congress is trying to destroy what little is left of retirement income security. Over the years, Congress has raided the Social Security Trust Fund to pay other government expenses to the point that the ability to pay benefits in the future is at risk. Many corporations have terminated their pension plans through bankruptcies and de-risking actions. Now Congress appears to be headed toward placing many of the remaining pension plans in jeopardy by providing the plan sponsors additional funding relief.

I want to make it very clear that seniors understand that a vote in favor of this bill is a vote to undermine retirement security for millions of retired Americans. Depleting pension plans to generate quick-fix revenue for unrelated purposes must stop. It is contrary to the entire purpose of E.R.I.S.A., which has protected retirees well for 40 years. Congress is effectively robbing plan participant pension plans and putting them at risk to pay for a transportation bill.

The members on the Ways & Means Committee passed H.R. 5021 on a voice vote so that constituents can't see how their Representative voted. I hope the vote in the House will be a recorded vote so I can check on how you voted and keep that in mind on Election Day. Retirees ARE watching.

Sincerely,

//

Dear Senator ________________:

As you may be aware, a Senate vote is coming up on the Finance Committee bill (Preserving America's Transit and Highways (PATH) Act of 2014) that would provide roughly $11 billion to the Highway Trust Fund to extend its funding through May 2015. I urge you to vote against this bill because an estimated $2.7 billion would be raised by extending corporate pension plan funding relief ("pension smoothing").

It is the second time in two years that Congress is moving toward giving corporate pension plan sponsors pension funding relief. In 2012 Congress passed what is called "Moving Ahead for Progress in the 21st Century" (MAP 21) as part of the highway transportation bill that provided a five-year relief window. The new House bill extends corporate pension contribution relief passed in MAP 21 for five more years.

MAP 21 has relieved funding obligations for companies that have elected to apply it but it has not ease the pension funding crises; instead it has masked it. MAP 21 relief in its original form and in the new bills is temporary. Unless plans are well funded by company contributions or interest rates rise substantially, we are likely to see weaker plans and continued plan terminations after the expiration of “pension smoothing”.

Since the rate relief does not have to be disclosed by all plan sponsors, it permits inaccurate and misleading disclosures in Funding Target Attainment Percentage (FTAP) tables and dilutes the purpose for which Annual Funding Notices (AFNs) were created to disclose accurate actuarial and financial data on assets and liabilities to pension plan participants.

Allowing pension plan sponsors to use unrealistic pension rate calculations could lead to the Pension Benefits Guaranty Corporation eventually having to take over underfunded pension plans and increase the PBGC’s deficit and could put taxpayers on the hook to bailout the agency.

Congress is trying to destroy what little is left of retirement income security. Over the years, Congress has raided the Social Security Trust Fund to pay other government expenses to the point that the ability to pay benefits in the future is at risk. Many corporations have terminated their pension plans through bankruptcies and de-risking actions. Now Congress appears to be headed toward placing many of the remaining pension plans in jeopardy by providing the plan sponsors additional funding relief.

I want to make it very clear that seniors understand that a vote in favor of this bill is a vote to undermine retirement security for millions of retired Americans. Depleting pension plans to generate quick-fix revenue for unrelated purposes must stop. It is contrary to the entire purpose of E.R.I.S.A., which has protected retirees well for 40 years. Congress is effectively robbing plan participant pension plans and putting them at risk to pay for a transportation bill.

The members on the Senate Finance Committee passed the bill on a voice vote so constituents can’t see how their Senator voted. I hope the vote in the Senate will be a recorded vote so I can check on how you voted and keep that in mind for future elections. Retirees ARE watching.

Sincerely,

//