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Defined Benefit Plans

House-Passed Highway Bill Would Extend Transfers of Excess Pension Assets

The House passed highway funding legislation that includes a section that would extend for four years provisions allowing employers to transfer excess pension plan assets to retiree health plans and group-term life insurance accounts.

The Highway and Transportation Funding Act (H.R. 3038), passed on a 312-119 vote July 15, would extend the deadline for such transfers through the end of 2025. An extension from the end of 2013 to the end of 2021 was passed as part of the Moving Ahead for Progress in the 21st Century Act (MAP-21) in 2012.

A document from the Ways and Means Committee on budget offsets said that the provision is among several “common-sense reforms” that would pay for surface transportation programs. The pension provision would provide \$172 million in revenue out of \$8 billion in offsets, the document said.

Annette Guarisco Fildes, president and chief executive officer of the ERISA Industry Committee in Washington, told Bloomberg BNA on July 14, the day after the legislation was introduced by House Ways and Means Committee Chairman Paul D. Ryan (R-Wis.), that “using retirement assets to pay for retiree benefits is a common sense approach supported” by ERIC.

The provision is a “lifesaver,” because without it, retiree life insurance—particularly important for retirees’ surviving spouses—would be at risk at many companies, Fildes said.

But Nancy Hwa, communications director for the Pension Rights Center in Washington, said the extension could hurt pension plans. Furthermore, she said that the center’s position on the provision is the same as its take on the original MAP-21 extension: that pension

policy should be used solely for increasing retirement security.

“We have never liked these transfers,” Hwa said. “Pension assets should stay in the plan and should be used for the participants in the plan. Skimming surplus assets for other purposes can lead to underfunding,” she said.

In addition, assets transferred from a pension plan to a retiree health account wouldn’t necessarily benefit the same retiree population, Hwa said.

Norman P. Stein, professor of law at the Thomas R. Kline School of Law at Drexel University, dismissed the provision as a “revenue gimmick,” but said that it may have only a minimal impact on pension plans.

“The best you can say about it from a policy perspective is that it is too modest an assault against defined benefit plan funding to have a serious impact,” said Stein, who is also senior policy adviser to the Pension Rights Center.

Fildes said that although policy makers have raised concerns about using retirement provisions for unrelated legislation, it’s more important to focus on the positive merits of retirement benefits proposals.

“Let’s keep our eye on the ball. So long as Congress passes legislation that supports the private retirement system and promotes consistent retirement policy, we will respect” the legislative process, Fildes said.

By SEAN FORBES

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Text of H.R. 3038 is at <http://op.bna.com/pen.nsf/r?Open=pkun-9yhugz>. Text of the budget offsets summary is at <http://op.bna.com/pen.nsf/r?Open=sfos-9yen2u>.