

**GROOM LAW GROUP**

**2005 EMPLOYEE BENEFITS SEMINAR**

**LEGISLATIVE UPDATE**

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Presentation Materials

# **Pension Funding Legislation**

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# Pension Funding Legislation

- Driven by political concerns of underfunded plans being terminated
  - United Airlines
- Congress must balance the concern for adequate funding with the concern that plan sponsors may terminate plans
- Administration's proposal was more focused on funding levels

# Administration's Proposal

- More financially accurate measurement of liabilities
- "Snap shot" approach to determining liabilities and assets
  - Current smoothing methods eliminated
- Simplification of funding methodology
- Funding levels based on financial status of the plan sponsor

# Concerns with Administration's Proposal

- Volatility of contribution amounts
- Lack of predictability
- No recognition of the long term nature of these liabilities
- If costs of providing these benefits increase ... what will happen to the benefits

# Congressional Reaction

- Generally the Administration's Proposal has been the template for all legislation
- Major differences
  - More smoothing
  - More predictability
  - Delayed effective dates
  - Airline relief
  - Multiemployer relief

# Cash Balance Conundrum

- House Ed & Workforce Bill – prospective only
- Senate Finance – prospective with design and conversion mandates
- Senate HELP – prospective and retroactive with mandates and litigation carve-out
- Waiting for House Ways & Means ...

# Defined Contribution Plans

- Diversification mandates/notices
- Investment education guidelines
- Investment advice – fiduciary relief
- Enhanced portability flexibility
- "Auto enrollment"
- Incentives for participants to take annuities
- Administration-backed RSAs and LSAs