

Defined Benefit Funding Changes and Pension Benefit Guaranty Corporation Reform Legislation

In August 2006, years of negotiations, lobbying, and political posturing finally culminated in the enactment of comprehensive pension reform as part of the Pension Protection Act of 2006 (PPA). Among other things, the PPA dramatically revamped the funding rules for single-employer defined benefit pension plans, changed the single-employer Pension Benefit Guaranty Corporation (PBGC) insurance program, and made prospective changes affecting cash balance and hybrid plan designs. We were intimately involved in the crafting of the legislation, providing lobbying assistance and expert analysis on behalf of firm clients. The recently-enacted Worker, Retiree, and Employer Recovery Act of 2008 makes technical corrections to the PPA changes and includes temporary, modest relief from the PPA minimum funding requirements and funding difficulties created by the financial and economic crisis. Examples of our relevant experiences include:

- Advocating legislation on behalf of a plan sponsor to provide targeted pension funding relief in response to funding issues caused by industry downturn, historically low interest rates and large investment losses.
- Representing trade associations and other organizations during the legislative process that led to the PPA funding rule changes.
- Working with a plan sponsor client to retain recognition of an existing agreement between the sponsor and the PBGC.
- Working with clients to analyze the likelihood and possible financial impact of potential changes to the pension funding rules.