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International Body Promotes Stricter Funding Requirements for Public and Private Pension Plans

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In the United States, pension plans traditionally pay attention only to domestic entities such as the Congress, Department of Labor, Internal Revenue Service and Pension Benefit Guaranty Corporation as the source for potential rules on funding their pension plans. However, at least one international body has chosen to enter the debate over pension funding, and U.S. employers may wish to observe its activities for possible future impact on U.S. pension plans.

The Organization for Economic Cooperation and Development (OECD) is an organization founded in 1960 and comprised of approximately 30 countries, including the U.S., U.K. and a number of European countries, that seeks to foster good governance in market economies. For some years, the OECD has been issuing guidelines relating to pensions. Past guidelines have dealt with the protection of the rights of member and beneficiaries, pension fund governance, and managing pension fund assets. The OECD was also instrumental in encouraging the expensing of stock options.

Most recently, the Working Party on Private Pensions of the Directorate for Financial, Fiscal, and Enterprise Affairs and the Insurance and Private Pensions Committee of the OECD, have promulgated a set of Guidelines on Funding and Benefit Security. These guidelines (which will be referred to in the article as the “Guidelines”) are expected to be available at the OECD website (www.oecd.orgdaf).

The Guidelines reflect many concepts familiar to U.S. plan sponsors, but suggest several views not currently in line with common U.S. plan practices, at least not yet. These concepts are the focus of the attached article.

OECD Funding Guidelines Article 060506Download

Groom Law Group, Chartered | 1701 Pennsylvania Ave., N.W. | Washington, D.C. 20006-5811 | 202-857-0620 | Fax: 202-659-4503 | www.groom.com