CIEBA
The Committee on Investment of Employee Benefit Assets

[CIEBA Opposes Huge PBGC Premium Hikes]

October 28, 2015, WASHINGTON, D.C. -- The Committee on Investment of Employee Benefit Assets (CIEBA) strongly opposes a Congressional proposal to increase Pension Benefit Guaranty Corporation (PBGC) premiums for single-employer pension plans. The proposal would raise the fixed-rate premium by more than 40 percent and the variable rate premium by almost 50 percent over the next four years. Those increases are in addition to the two, large premium increases passed by Congress in 2012 and 2013.

"It is very short-sighted for Congress to try to balance its books on the backs of pension plans," said Deborah Forbes, Executive Director of CIEBA. "CIEBA members are doing the right thing by providing high-quality pension plans to their workers, and now Congress is punishing them for it. We see no indication that Congress even considered what is best for workers, retirees, and the pension system in proposing these massive tax increases on plan sponsors. The truth is that the agency doesn't even need the money. The fiscal condition of PBGC's single-employer program has been steadily improving, and those improvements are projected to continue for the next decade. Raising premium rates will only hurt the agency by forcing more employers to consider exiting the system."

PBGC's first statutory mandate is "to encourage the continuation and maintenance of voluntary private pension plans." However, increased premiums are driving plan sponsors out of the DB system. PBGC premiums significantly add to the cost of maintaining a DB plan and account for more than 13 percent of total DB plan expenses. CIEBA members paid almost $1 billion in PBGC premiums in 2014 alone—an 85 percent increase since 2011. These new increases will only escalate the risk that healthy defined benefit plan sponsors will leave the system.

We are already seeing the effects of the last round of increases. Last year, sponsors paid premiums on at least 2.5 million fewer participants than in 2011 due, in large part, to the fact that plan sponsors are de-risking to reduce their premium burden. Ironically, the Congressional proposal to increase premiums may be the greatest threat to the financial soundness of PBGC, as PBGC could end up with fewer healthy plans in their risk pool.

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