
Cash-strapped Firms Hope to Delay Pension Funding Mandates

By Editor Test Tue, Oct 13, 2009

Three legislative proposals would allow companies to make interest-only payments for two years on their 2008 losses and then amortize pension shortfalls over the next seven years.

Pension funding requirements that mandated by the Pension Protection Act of 2006 could threaten job creation and investment by diverting cash into pension plans rather than into operations, a Fortune 500 CEO told Congress earlier this month.

Bill Nuti, chairman and CEO of NCR, appeared before the House Ways and Means Committee to argue for relief from the pension obligations instituted by the PPA, which responded to airline and steel company pension defaults by tightening defined benefit funding rules and requiring companies to meet 100% of their obligations by 2015.

Experts from Mercer and Watson Wyatt Worldwide told legislators that defined-benefit pension plans have lost substantial value over the past year and many face significantly higher contributions in 2010. NCR's pension fell from 110% funded to 75% funded during 2008.

Rep. Earl Pomeroy (D-ND) has drafted legislation that would give companies more time to fund their pension plans. The House Education and Labor Committee approved a similar bill. House Minority Leader John Boehner (R-OH) has introduced another.

All three measures would allow companies to make interest-only payments for two years on their 2008 losses and then give them seven years to amortize pension shortfalls. The Pomeroy and Boehner bills also implement 24-month smoothing of assets within 20% of their fair market value. The House labor panel bill limits smoothing to 10%.

"While giving companies additional breathing room to meet their pension obligations may make sense on the surface, we must also recognize that too much latitude could erode the likelihood of workers receiving the full benefits they were promised and could further expose taxpayers to the costs of bailing out the PBGC," said Rep. Dave Camp (R-MI) and the ranking member of the Ways and Means Committee.

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