TOPIC: **President Obama Signs Transportation Bill that Includes Pension Provisions, Including Increase in PBGC Premium Rate for Multiemployer Plans**

EXECUTIVE SUMMARY   ON JULY 6, 2012, PRESIDENT OBAMA SIGNED THE MOVING AHEAD FOR PROGRESS IN THE 21ST CENTURY ACT ("MAP-21"), COMMONLY REFERRED TO AS THE HIGHWAY BILL. WHILE THIS IS PRIMARILY A TRANSPORTATION BILL, IT DOES CONTAIN SEVERAL PROVISIONS RELEVANT TO MULTIEMPLOYER PENSION PLANS. THIS ISSUE OF MULTI-ELERT SUMMARIZES THE PENSION PROVISIONS OF THE BILL.

PURPOSE: **INFORMATIONAL**

CATEGORY: **LEGISLATION**

ISSUER: **UNITED STATES CONGRESS**

TARGET AUDIENCE: **PENSION FUND TRUSTEES AND PROFESSIONAL ADVISORS**

FORWARD COMMENTS TO: *Multi-Elert@nccmp.org*

REFERENCE: **VOL. XII, ISSUE 6**

FOR ADDITIONAL BACKGROUND SEE: **MOVING AHEAD FOR PROGRESS IN THE 21ST CENTURY ACT**

LINK: http://www.rules.house.gov/Media/file/PDF_112_2/LegislativeText/CRPT-112hrpt-HR4348.pdf

President Obama Signs *Moving Ahead for Progress in the 21ˢᵗ Century Act*

On July 6, 2012 President Obama signed the *Moving Ahead for Progress in the 21ˢᵗ Century Act* ("MAP-21"), commonly referred to as the Highway Bill. While the primary focus of this legislation is transportation issues, it also contains several provisions that are relevant to multiemployer pension plans.

The sole provision of MAP-21 that is directly applicable to multiemployer plans provides for a $2 per participant increase in the PBGC premium rate. With this change, the $10 per participant rate scheduled to take effect in 2013 under current law will instead increase to $12. As is the case under current law, this premium rate is tied to wage inflation and will increase over time as the National Average Wage increases. While the NCCMP is concerned that this provision will increase the burden on multiemployer plans that are already facing difficult challenges, we also recognize that in recent months speculation among various Congressional staff members had raised the possibility of adopting a significantly larger increase and called into question the sustainability of the current guarantee level.

The majority of the remaining pension provisions of MAP-21 apply only to single-employer pension plans. Similar to multiemployer plans, the bill contains an increase in the PBGC premium rate for these plans. This increase applies to both the fixed per-participant premium and the variable premium that applies to single-employer plans. Consistent with past legislation, multiemployer plans remain exempt from the variable premium.

The bill provides a measure of funding relief for single-employer plan sponsors that are struggling with the high contribution requirements attributable to the current low interest rate environment. MAP-21 temporarily raises the interest rates that these plans use to measure their obligations by expanding the smoothing that is applied to historical interest rates. This provision does not apply to multiemployer plans since they are not required to determine their contributions using bond interest rates. The NCCMP supports this provision because it is consistent with our belief that pension funding should be a long-term process in which short-term economic fluctuations do not result in dramatic increases or decreases in the contribution requirements. MAP-21 also contains additional provisions intended to improve the governance of the Pension Benefit Guaranty Corporation and expand the ability of overfunded pension plans to transfer assets to health & welfare and life insurance programs.

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If you have questions about the NCCMP, or about this or other issues of Multi-Elert, please contact the NCCMP, by phone at (202) 737-5315 or by e-mail at nccmp@nccmp.org.