

LAW & POLICY GROUP**GRIST****BILL WOULD END GOVERNMENT DOUBLE COUNTING OF PBGC PREMIUM HIKES**

*By Mercer's Geoff Manville and Margaret Berger
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Increases in single-employer PBGC premiums would no longer double-count as revenue available both to support the agency and to fund general government spending, under legislation introduced in the House ([HR 4035](#)). The bipartisan Pension and Budget Integrity Act would move premiums "off budget" so lawmakers could not raise pension plans' insurance premiums to help pay for unrelated spending.

BUDGET GIMMICK ENCOURAGES PREMIUM HIKES

Congress has hiked premiums several times over the past decade as part of deals to raise government spending caps, even though PBGC's latest [projections](#) show that further premium increases (beyond inflation) are not needed to bolster its single-employer insurance system. The most recent increase occurred in the [Bipartisan Budget Act of 2015](#), which sharply raised premiums for both flat- and variable-rate premiums for single-employer defined benefit plans from 2017 through 2019.

SINGLE-EMPLOYER PLAN PREMIUMS TARGETED

The bill is substantially similar to versions introduced in prior sessions of Congress, with one key distinction: The new legislation restricts the proposal to only the single-employer insurance system, whereas previous bills covered multiemployer premiums as well. Higher multiemployer premiums feature in President Trump's fiscal 2020 budget proposals and are part of lawmakers' discussions on how to shore up some large underfunded plans. However, what reforms Congress might approve are far from clear. A bill ([HR 397](#)) passed by the House last month to aid financially troubled multiemployer plans would not increase premiums.

SUPPORT FROM PLAN SPONSOR GROUPS

Trade groups representing pension plan sponsors welcome the bill. The measure is "common-sense legislation that would restore Congress's original intent with regard to PBGC premiums," said a July 30 [joint letter](#) from the American Benefits Council, the ERISA Industry Committee and other organizations. By only increasing premiums as needed to protect pension benefits, the legislation "would better ensure pension benefits to eligible workers and greater security for plan sponsors," the groups noted.

Bill supporters, including Mercer, will work to build support in Congress, with hopes that the measure can be attached to broader legislation.

RELATED RESOURCES

Non-Mercer Resources

- [HR 4035](#), the Pension and Budget Integrity Act of 2019 (Congress, July 25, 2019)
- [Joint Letter](#) on HR 4035 (American Benefits Council and Other Trade Groups, July 30, 2019)

Mercer Law & Policy Resources

- [Multiemployer Pension Rescue Plan Passes House, but Senate Outlook Dim](#) (Aug. 2, 2019)
- [Trump Budget Seeks Healthcare Reforms, PBGC Premium Hikes, Paid Parental Leave](#) (March 20, 2019)
- [2019 Legislative and Regulatory Outlook for Employer-Sponsored Retirement Plans](#) (Feb. 5, 2019)

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