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The Pension Insider

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The Pension Insider is a monthly newsletter developed for Actuaries, Third Party Administrators, Attorneys, and Consultants who work in the pension arena. The Pension Insider was created to share ideas, success stories, coming events, and industry specific articles.

BCG Terminal Funding Company specializes in settling pension liability for terminating and ongoing pension plans.

Pension Risk Consultants

Today's Solutions for Tomorrow's Needs.

Contents:

The cost of maintaining a defined benefit plan is, once again, increasing substantially. In addition to meeting the IRS contributions requirements to fund the benefit promises, plan sponsors are faced with ongoing and ever-increasing annual fees and expenses.

One of these expenses is paid directly to the PBGC. The PBGC assesses two premiums (flat rate and variable rate) related to defined benefit pension plans. The flat rate premium, assessed based on the number of participants, will increase by over 30% in the next two years from $49 in 2014 per participant to $64 in 2016. The variable rate premium, assessed on the amount of underfunding, will increase by over 50% in the next two years from 1.4% in 2014 to at least 2.9% in 2016.

It's no wonder many plan sponsors are implementing pension settlement strategies and exiting the defined benefit "business." Contact BCG for an analysis on the projected annual costs of maintaining your (or your client's) defined benefit plan and current settlement values.

The following magazine article is from Michael Barry - President of Plan Advisory Services Group.

Here it Comes - The After Effects of the Increase in PBGC Premiums

The bottom line is this: The increase in Pension Benefit Guaranty Corporation (PBGC) premiums, pushed through as part of the end-of-2013 budget compromise, is a disgrace. The PBGC's entire project to headline its "deficit" and use it as a pretext for an increase in single-employer plan premiums is arguably fraudulent. That Congress bought into it as a way to "solve" its deficit problem is deeply disappointing.

Here's what I think happens next. The new variable-rate premium will amount to an annual 3% and rising tax on underfunding. Defined benefit (DB) sponsors with any access to credit will borrow in order to fund up their plans and avoid it.

Those sponsors with frozen plans, after they have funded up, will look for a quick way to get out of the DB system. Here's why: From 2012 to 2016, the flat-rate PBGC premium, basically a tax for simply having a DB plan, will nearly double. If you've frozen your DB plan, then it's no longer really an element of company benefits policy, it's

just a legacy liability that your treasury function manages. And if 1) it's fully funded; 2) you can, via a lump-sum payment, pay it out at book value; and 3) in addition to all the risk associated with managing it and all the chaos it introduces into your financial reporting, you also have to pay an annual tax if you don't pay it out then the really obvious thing to do is just get rid of it ASAP.
To read full article, click here

Companies Detangle from Legacy Pensions

Although new defined benefit plans are rare, many firms must still fund commitments to retirees. Luis M. Viceira looks at the pension landscape and the recent emergence of insurance companies as potential saviors.

"Goodbye Tension, Hello Pension!"

That used to be the triumphant cry of millions of new retirees. For decades, Americans assumed a good job came with a good pension, guaranteeing them regular monthly payments from their parent company until the day they died. The plans were also known as "defined benefit" plans because they assured recipients of a set monthly amount they could always rely on.
From Harvard Business Schools' Working Knowledge Newsletter, read more of Michael Blandings' interview with Luis M. Viceira, a George E. Bates Professor at Harvard Business School. click here

ANNUITY RATES

Standard Pension Closeout/Terminal Funding Case Rates:
(No lump sums, no disability or unusual provisions)
Immediates - 3.65%
Deferreds - 3.90%
50/50 Split of Immediates and Deferreds - 3.78%

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