



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

January 22, 2004
(Senate)

STATEMENT OF ADMINISTRATION POLICY

H.R. 3108- Pension Funding Equity Act

(Rep. Boehner (R) OH and 10 cosponsors)

The Administration supports prompt Senate passage of H.R. 3108, the Pension Funding Equity Act. The Administration supports the interest rate provisions in the bill, which are consistent with the transitional portion of the Administration proposal for more accurate discounting of pension liabilities. The Administration also supports the provision in H.R. 3108 that calls for comprehensive funding reform to protect the benefits American workers have earned.

H.R. 3108 passed the House with overwhelming bipartisan support. Since that time, the temporary adjustment to the statutory rate for discounting pension liabilities has expired, which means that employers are denied important short-term funding relief unless and until legislative action is taken.

Recent data from the Pension Benefit Guaranty Corporation (PBGC) highlight the importance of passing this legislation free of additional provisions that would worsen underfunding in America's pension plans. The PBGC reports a record single-employer program deficit of \$11.2 billion, which is three times larger than any previously recorded deficit, and the first multiemployer program deficit in two decades, as of the end of fiscal year 2003. In addition, the PBGC remains exposed to \$85 billion in pension underfunding in plans sponsored by financially weak employers.

Consequently, the Administration will strongly oppose any amendment that would substantially weaken funding requirements for single-employer or multiemployer pension plans.

The Administration is developing comprehensive reform proposals to strengthen America's defined benefit pensions, and has consistently taken the position that any provisions to alter the DRC rules should be reviewed in that context. The DRC is part of a flawed system of funding rules that should be reviewed and reformed. A well-structured system of funding rules would lead to less volatility in employer contribution requirements, while producing stronger pension funding over time.

Pay-As-You-Go Scoring

The Budget Enforcement Act's pay-as-you-go requirements and discretionary spending caps expired on September 30, 2002. The Administration supports the extension of these budget enforcement mechanisms in a manner that ensures fiscal discipline and is consistent with the President's budget. OMB's cost estimate of this bill currently is under development.

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