United States Senate

Harkin, Roberts Introduce Bipartisan Legislation to Enable Charities and Cooperatives to Continue to Offer Pensions

Summary of the *Cooperative and Small Employer Charity Pension Flexibility Act of 2013*

Background: Many charities and cooperative associations provide their employees with retirement benefits through defined benefit multiple employer pension plans ("CSEC plans"). The plans allow small, community-focused employers to pool their resources to achieve economies of scale otherwise only available to large employers. Although CSEC plans have operated successfully for decades, they are poised to become subject to the *Pension Protection Act of 2006* ("PPA"), which would threaten the ability of many non-profit employers to continue to offer pension benefits.

PPA fundamentally changed the way most pension plans are funded in order to protect participants and the Pension Benefit Guaranty Corporation ("PBGC"). However, Congress recognized that the new rules were not appropriate for rural cooperative multiple employer defined benefit plans because, by design, the plans pose little risk that they will be unable to pay benefits. Consequently, Congress granted the plans a temporary exemption from PPA in order to assess whether the rules would be appropriate. The exemption was later broadened to include eligible charities by the *Pension Relief Act of 2010*. Without Congressional action, the temporary exemption will expire.

The Problem: Since 2006, it has become increasingly apparent that the PPA funding rules remain inappropriate for the unique structure of CSEC plans. The rules create too much funding volatility, and they would force community-focused organizations to unnecessarily divert funds from critical services just when those services are needed most. Without changes, CSEC plans will be forced to comply with PPA funding rules, and many small, non-profit employers will be unable to continue to provide pension benefits.

The Solution: The *Cooperative and Small Employer Charity Pension Flexibility Act of 2013* (the "Act") ensures charities and cooperative associations will continue to be able to provide quality pension benefits to their employees by implementing pension funding rules that reflect the unique design of their CSEC plans. The rules are substantially similar to those that CSEC plans are currently subject to with modifications to make them work better and result in far less volatility. CSEC plans would have the flexibility to opt into PPA in 2014 if they want, and importantly, the Act imposes additional transparency requirements on CSEC plans so that participants have access to accurate information.

The Act also provides for a "time out" from scheduled increases to PBGC premiums. Last year, CSEC plans were indiscriminately subjected to significant premium increases without regard to the unique structure of the plans. The Act would freeze premiums at current levels while the agency reevaluates how much CSEC plans should be paying for pension insurance.

Support: Senators Patty Murray (D-WA), Lisa Murkowski (R-AK), and Al Franken (D-MN) are original co-sponsors of the bill. The Act is supported by Christian Schools International; UJA, United Jewish Appeal, Federation of New York; United Way Worldwide; The Jewish Federations of North America (the umbrella organization of 154 Jewish Federations including UJA); National Rural Electric Cooperative Association; Hawkeye Insurance Association; Girl Scouts of America; NTCA, the Rural Broadband Association; and United Benefits Group.