



EBRI News

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EBRI Policy Forum:

Experts Anticipate More U.S. Pension System Changes

WASHINGTON—Experts anticipate more changes ahead for the U.S. pension system as a result of legislative and regulatory activity last year, according to an article published today by the nonpartisan EBRI.

The article recaps the experts' reactions—at EBRI's spring 2007 policy forum in Washington, DC—to major developments in the pension world: Enactment of the Pension Protection Act (PPA) of 2006, which imposed new funding rules on pension plans, among other things, and major accounting rules issued by the private-sector Financial Accounting Standards Board (FASB) and the public-sector Government Accounting Standards Board (GASB).

The experts' comments are reported in the July 2007 *EBRI Notes*, available at www.ebri.org.

Change has been a near-constant in the U.S. pension system, the experts noted. One theme emerged at the policy forum: New accounting rules—rather than new pension funding laws by Congress—may be the determining factor that triggers the next big shake-up in pension coverage. Among the main points discussed:

- While many large employers say they are committed to their defined benefit pension plans, a number of them either have made changes to restrict benefits or are thinking about making them, leaving their commitment to a pension benefit open to question. So far, pension plan sponsor reaction to the new funding requirements in PPA has been muted.
- Accounting rule changes that would require employers to show pension and retiree health care costs on their annual financial statements are forcing corporate executives to ponder a host of new issues, including how to adjust pension fund investments to meet the new environment. Many private-sector pension plan managers are moving toward more conservative (stable value) investments to control volatility, while public-sector pension managers are moving toward more risky (equity) investments to achieve higher returns.

Policy forum speakers also said that an anticipated FASB rule—the timing is unclear—that would bring U.S. accounting rules into line with international standards is generating growing anxiety among employers and pension experts. Pension experts predict the rule could have a dramatic negative effect on many plan sponsors' financial reports, which in turn could accelerate the long decline in traditional pension coverage in the United States.

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