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US pension reform set to miss deadline

US - US pension reform is becoming increasingly unlikely to meet its May target, say industry insiders, with proposals put forward by Congress recently dismissed as inadequate by the US Treasury.

The delay has been attributed to contentious special provisions attached to the reform by both the House and the Senate.

Assistant secretary of the Treasury Mark J Warshawsky identified a “glaring weakness” in the proposals passed at the end of December.

“They are both laden with rifle shot provisions that provided targeted benefits to one firm or class of firms and workers,” he said. “Exceptions from the rules reduce both the fairness and effectiveness of the system.”

Jim Keightley, a partner with the law firm Keightley & Ashner, told Global Pensions: “The Administration seems to be pretty unhappy with where things stand on the Hill.”

Harold Ashner, also a partner with the firm, said of the issues under debate, smoothing could be the easiest to compromise on.

But whether to use credit ratings to drive contribution and premium requirements, and the extent of restrictions on the use of credit balances would be tougher to settle, he added.

“Add cash balance plans, airline relief, and investment advice to the mix, and you can see why resolution in late May is problematic,” said Ashner.

The Administration is working with Congress to improve the final bill. It has said any acceptable reform would reduce the expected claims on the Pension Benefit Guarantee Corporation (PBGC) over the next 10 years.

By Lisa Haines

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