PENSION PROTECTION ACT (PPA)

Adopted: July 24, 2009
Reviewed:
Revised:

Position Statement:
It is the belief of the National Federation of Nurses that RNs, after devoting their careers to the caring of others, should be able to retire with dignity. RNS throughout the country deserve a secure financial retirement supported by their defined benefit pension plans. The National Federation of Nurses supports legislative reform to the Pension Protection Act of 2006 that will stabilize pension plan funding levels and secure retirement systems for Registered Nurses.

Background
The Pension Protection Act of 2006 is probably the most comprehensive amendment to ERISA since its passage in 1974. The original intent of the PPA was to enhance the pension funding status of defined benefit pension plans and to reduce the risk to the PBGC of having to assume the costs of underfunded pension plans. The PPA did not take anticipate the financial crisis and the collapse of our economic markets that occurred in the fall of 2008. Its application in times of severe market decline is not reasonable, prudent nor valid. It is estimated that the value of investments in private sector and state/local defined benefits dropped by nearly 1 trillion dollars in the 12 month period ending October 2008. (*The Center for Retirement Research at Boston College).* Most plans lost one third of their plan assets when the markets crashed.
Pension Plans historically plan to provide a guaranteed pension benefit to participants that are accomplished through long term policy making and long term investment strategies. The risks of the market are cushioned by the long term planning. The provisions of the PPA force plans to use much shorter term strategies. Plans will be required to make enormous contributions to be in compliance with the PPA or to look at cutting benefits.

There are different rules and consequences for multi-employer and single employer plans. Nurses throughout the country participate in both types of plans. For single employer plans if the funding levels fall below 60%, plans must be frozen with no future accruals permitted. For multi-employer plans that are deemed critical, or red, a mandatory default plan is required. The contents of this default plan are benefit reductions. It is clear that the unintended consequences of the PPA result in nurses bearing the responsibility of the market decline. Congress did recognize the unexpected economic downturn when it passed the Worker, Retiree and Employer Recovery Act of 2008 (WRERA) in December 2008. The IRS also authorized some changes in interest rates in March 2009. Both of these initiatives recognize the pension crisis but are short term solutions to a long term problem. The PPA must be reformed and nurse's pensions must be protected.

The nursing shortage will only worsen if PPA reform does not occur. If plans are forced to reduce benefits, many RNS may chose to retire earlier than planned in order to retain their existing pension benefit. As the average age of nurses has steadily increased over the years, the percentage of RNS of retirement age has also increased. The percent of nurses over 54 years of age increased to 25.2 percent in 2004, compared to 20.3 percent in 2000 and 16.9 percent in 1980. (*The National Sample Survey of Registered Nurses, US Department of Health and Human Services*) That means one quarter of our nurses could retire from the nursing profession all at once. Nurses have an obligation to themselves and to their patients to advocate for measures that will not decimate the nursing workforce.

Recommendations
The National Federation of Nurses supports legislative reform to the PPA that will provide relief from the challenges imposed by the current funding requirements and the collapse of the financial markets.

Specifically, the NFN supports legislation that would

- isolate the asset losses incurred during the plan years ending 2008 and 2009 and allow funds to amortize these losses over a 30 year period
- widen the actuarial smoothing corridor permitted
- extend the required rehabilitation period by 5 years
- provide another temporary extension as provided under WRERA
- update the PBGC guarantee for benefits and back their obligations with the full faith and credit of the United States