CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 9, 2004

S. 2424

National Employee Savings and Trust Equity Guarantee Act of 2004

As reported by the Senate Committee on Finance on May 14, 2004

SUMMARY

S. 2424 would make numerous changes to the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code that would affect the operations of private pension plans. These include changes to pension contribution rules, modifications in premiums paid to the Pension Benefit Guaranty Corporation (PBGC), and other changes.

CBO and the Joint Committee on Taxation (JCT) estimate that enacting the bill would increase federal revenues by $1.5 billion in 2005 and by $6.1 billion over the 2005-2009 period, but would decrease revenues by $2.8 billion over the 2005-2014 period. CBO estimates that the bill would increase direct spending by $13 million in 2005, but would decrease direct spending by $22 million over the 2005-2009 period, and increase it by $174 million over the 2005-2014 period.

In addition, CBO estimates that implementing the bill would cost $2 million in 2005, $12 million over the 2005-2009 period, and $22 million over the 2005-2014 period, assuming appropriation of the necessary amounts.

CBO has reviewed all provisions of S. 2424 that are not amendments to the Internal Revenue Code and determined that those provisions contain no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA); they would impose no costs on state, local, or tribal governments.

The Joint Committee on Taxation has determined that the revenue provisions in S. 2424 contain no intergovernmental or private-sector mandates as defined in UMRA. CBO has determined that the nonrevenue provisions in the bill contain mandates on sponsors, administrators, and fiduciaries of private pension plans. CBO estimates that the direct costs of those new requirements would exceed the annual threshold specified in UMRA ($120 million in 2004, adjusted annually for inflation) in each of the first five years the mandates would be effective.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2424 is shown in the following table. The costs of this legislation would fall within budget function 600 (income security).

	By Fiscal Year, in Millions of Dollars									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CHANGES IN REVENUES										
Titles I - IV, VI:										
Temporarily Replace the 30-year Bond Rate and Other Funding Provisions	1,517	2,564	2,492	106	-398	-882	-1,699	-2,020	-2,224	-2,500
Information to Assist Pension Plan Participants	-12	-19	-22	-24	-27	-7	0	0	0	0
Other Pension-Related Provisions	-30	-62	-81	-87	-83	-76	-72	-71	-67	-64
Title V:										
Provisions Related to Executives and Stock Options	260	173	50	23	22	20	149	197	182	162
Title VII:										
Tax Court Provisions	*	*	*	*	*	*	*	*	*	*
Title VIII:										
Other Provisions Affecting Revenues	-202	-64	15	14	13	13	11	9	6	3
Total Changes in Revenues	1,533	2,592	2,454	32	-473	-932	-1,611	-1,885	-2,103	2,400
CHANGES IN DIRECT SPENDING										
Temporarily Replace the 30-year Bond Rate										
Estimated Budget Authority	0	0	0	111	80	72	69	67	66	64
Estimated Outlays	0	0	0	111	80	72	69	67	66	64
Altering Deficit-Reduction Contributions										
Estimated Budget Authority	0	-40	-67	-89	-94	-78	-63	-47	-31	-16
Estimated Outlays	0	-40	-67	-89	-94	-78	-63	-47	-31	-16
Transfers to PBGC and Missing Participants										
Estimated Budget Authority	10	7	8	8	8	8	8	8	8	8
Estimated Outlays	10	7	8	8	8	8	8	8	8	8
Reduce Flat-Rate Premiums Paid to PBGC										
Estimated Budget Authority	*	*	1	1	1	1	1	1	1	1
Estimated Outlays	*	*	1	1	1	1	1	1	1	1
Changes in Variable Premiums Paid to PBGC										
Estimated Budget Authority	*	3	4	5	6	6	6	7	7	7
Estimated Outlays	*	3	4	5	6	6	6	7	7	7

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	By Fiscal Year, in Millions of Dollars									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CHANGES IN DIRECT SPENDING (Continued)										
Authorization for the PBGC to Pay Interest on Refunds of Premium Overpayments										
Estimated Budget Authority	3	3	3	3	3	3	3	3	3	3
Estimated Outlays	3	3	3	3	3	3	3	3	3	3
Railroad Retirement Benefits										
Estimated Budget Authority	*	*	*	*	*	1	1	2	2	2
Estimated Outlays	*	*	*	*	*	1	1	2	2	2
Pension Benefits for Tax Court Judges										
Estimated Budget Authority	3	*	*	*	*	*	*	*	*	*
Estimated Outlays	3	*	*	*	*	*	*	*	*	*
Total Changes in Direct Spending										
Estimated Budget Authority	13	-27	-51	39	4	12	24	39	54	67
Estimated Outlays	13	-27	-51	39	4	12	24	39	54	67
CHANGES IN SPENDING SUBJECT TO APPROPRIATION										
Agency Contributions for Tax Court Judge Pensions										
Estimated Authorization Level	2	2	2	2	2	2	2	2	2	2
Estimated Outlays	2	2	2	2	2	2	2	2	2	2
Studies										
Estimated Authorization Level	2	0	0	0	0	0	0	0	0	0
Estimated Outlays	*	1	0	0	0	0	0	0	0	0
Total Changes in Spending Subject to Appropriation										
Estimated Authorization Level	4	2	2	2	2	2	2	2	2	2
Estimated Outlays	2	3	2	2	2	2	2	2	2	2

SOURCES: Congressional Budget Office and the Joint Committee on Taxation.

NOTES: PBGC=Pension Benefit Guaranty Corporation.

* = less than $500,000.

BASIS OF ESTIMATE

For the purposes of this estimate, CBO and JCT assume the bill will be enacted early in fiscal year 2005.

Revenues

The bill would modify various aspects of existing tax law related to pension plans, including diversification of plans and protection of plan participants. The bill also would alter certain tax provisions related to the tax treatment of executives, stock options, and tax court officials. All estimates of the revenue effects of the bill were provided by JCT. Most of the provisions affecting federal revenues would decrease receipts over the 2005-2014 period. JCT estimates that, in total, enacting the legislation would increase revenues by about $6.1 billion over the 2004-2009 period, but would decrease receipts by about $2.8 billion over the 2005-2014 period.

Titles I through IV and title VI would all alter existing tax law relating to pension plans. The largest change in revenues would result from temporarily allowing firms to use a higher interest rate for determining pension funding and for other purposes. A similar provision was enacted as part of Public Law 108-218. The change in interest rates would increase federal revenues by an estimated $6.3 billion over the 2005-2008 period and then decrease receipts after that, when employers will have to increase their contributions to compensate for the lower contributions in earlier years. JCT estimates that over the entire 2005-2014 period, it would reduce governmental receipts by about $3.0 billion. The remaining pension-related provisions, including providing information to assist pension plan participants (title I) would reduce governmental receipts by $445 million over the 2005-2009 period and $799 million over the 2005-2014 period.

Title V of the bill contains provisions relating to executives and stock options, all of which would increase revenues over the 2005-2014 period. The largest increase would result from requiring executives to include in their income certain nonqualified deferred compensation, including compensation funded with assets located outside of the United States. JCT estimates doing so would decrease governmental receipts by $5 million in 2004, but increase receipts by $342 million over the 2005-2009 period and $998 billion over the 2005-2014 period. The other three provisions, together, would increase revenues by $186 million over the 2005-2009 period and $239 million over the 2005-2014 period. All together, title V would increase revenues by $528 million over the 2005-2009 period and about $1.2 billion over the 2005-2014 period.

Title VII of the bill would require that judges who elect to be covered by the new retirement program contribute 1 percent of their salary toward the program. Judges also would have to make a lump-sum contribution—at 1 percent of salary—for previous years they worked for the court equal to what they would have contributed if the new retirement program had been in existence. CBO estimates these changes in employee contributions would have a negligible effect on receipts.

The remaining provisions of the bill, contained in title VIII, would decrease receipts by $224 million between 2005 and 2009 and by $182 between 2005 and 2014. Title VIII contains miscellaneous changes to tax law, including allowing certain exclusions from gross income and requiring the reporting of taxable mergers and acquisitions.

Direct Spending

CBO estimates that enacting S. 2424 would increase direct spending by $13 million in 2005, decrease spending by $22 million over the 2005-2009 period, and increase it by $174 million during the 2005-2014 period.

Temporary Replacement of the 30-Year Bond Rate. Under current law, pension plans are required to determine whether they were fully funded by discounting future pension liabilities using the interest rate based on high-grade, long-term corporate bonds in plan-years 2004 and 2005 and the four-year moving average for 30-year Treasury bonds in years after 2005. Sponsors of plans that are considered underfunded generally must pay a variable-rate premium to the PBGC based on the amount of underfunding ($9 for every $1,000 of underfunding).

S. 2424 would allow plans to continue using the corporate bond rate to discount their liabilities during plan-year 2006. From 2007 through 2010, plans would use a mix of the corporate bond rate and a Treasury-prescribed yield curve rate, which would be designed to match interest rates with the expected timing of plan benefits. After 2010, plans would use the yield curve method to determine their discount rates. The exact rates to be used by plans would be determined by the Secretary of the Treasury.

Interest rates based on corporate bonds are generally higher than those on Treasury bonds. Using a higher interest rate to discount liabilities results in lower projections of the cost of future liabilities. Therefore, firms would have to contribute less to their plans and pay less in variable-rate premiums. Based on information provided by the PBGC, CBO assumes that the applicable interest rates would be roughly 150 basis points higher than the interest rate on 30-year Treasury bonds. CBO estimates that using this higher rate to discount liabilities would reduce the number of plans that are considered underfunded and the liabilities of remaining underfunded plans. As a result, we estimate that premium receipts would decrease by $529 million, or about 9 percent, over the 2008-2014 period. Because the PBGC's premiums are offsetting collections to a mandatory spending account, reductions in premium receipts are reflected as increases in direct spending.

The use of higher interest rates could have other effects on the PBGC's costs, but the direction and magnitude of these effects are uncertain. On the one hand, the use of higher interest rates to discount future liabilities will reduce sponsors' contributions, improve their financial position, and make it less likely that they would eventually become bankrupt. Thus, the bill may reduce the number of plans that the PBGC ultimately takes over. On the other hand, lower contributions could mean that the underfunding for plans that eventually become the responsibility of the PBGC would be greater, thus adding to the agency's costs.

Altering Deficit-Reduction Contributions. Sponsors of defined-benefit pension plans that are considered underfunded are required to make a series of supplemental payments to their plans. These payments, referred to as deficit-reduction contributions, are amortized over a number of years until a plan reaches full-funding status.

Current law provides plan sponsors in the passenger airline and steel industries the option of reducing any required deficit reduction contributions in plan-years 2004 and 2005. To qualify, plans must have been considered fully funded in plan-year 2000. S. 2424 would allow all pension plans that had been fully funded in plan-year 2000 relief from deficit reduction contributions during plan-years 2004, 2005, and 2006.

Based on information provided by the PBGC, CBO estimates that providing temporary relief from deficit reduction contributions would decrease pension contributions by approximately $10 billion cumulatively over plan-years 2004, 2005, and 2006. The forgone contributions would eventually be paid over a number of years. Because decreasing required contributions would effectively increase underfunding among these plans, CBO anticipates that variable-rate premium payments to the PBGC, which are based on underfunding, would increase. As a result, CBO estimates that direct spending would decrease by $40 million in 2006 and $525 million over the 2006-2014 period.

Transfers to PBGC and Missing Participants. S. 2424 would expand the PBGC's role in locating and making benefit payments to missing participants in terminating pension plans. It also would require the PBGC to assume responsibility for small pension benefits owed to participants in ongoing plans. CBO estimates this provision would increase the agency's administrative costs by $10 million in 2005, $41 million from 2005 through 2009, and $81 million over the 2005-2014 period.

Under current law, the PBGC is required to assume liabilities for missing participants in single-employer, defined-benefit pension plans that terminate. The PBGC attempts to locate missing participants from such plans and either pay them an annuity or make a lump-sum payment, depending on the amount of benefits accrued by the participant. S. 2424 bill would require the PBGC to assume pension liabilities for missing participants of terminated multiemployer plans as well. In addition, the bill would require the PBGC to perform the same services for missing participants of defined-contribution plans that terminate.

Finally, the bill would provide sponsors of ongoing pension plans with the option of having the PBGC assume responsibility for pension assets of employees who leave those plans without indicating what they would like done with the accrued pension assets. This provision would only apply to plan participants with pension assets valued between $1,000 and $5,000. Under current law, employers will soon be required to deposit such pension assets into an individual retirement account, unless the participant elects either a cash payment or another type of retirement account.

These sections of S. 2424 would not increase the PBGC's net spending on pension benefits because the amount of additional benefit payments would be offset by the additional assets it would receive. However, the bill would affect the agency's administrative costs, which are considered direct spending. Based on data from the PBGC, CBO estimates S. 2424 would increase the number of participants whose benefits are covered through the PBGC by more than 400,000 during 2005. The number of participants added to the PBGC's rolls would increase by another 350,000 in 2006, with the annual increase slowing to about 100,000 by 2010. CBO anticipates that most of the increase would be from participants who leave ongoing plans and whose assets are rolled into PBGC-managed accounts. The next largest group would come from missing participants of ongoing plans.

By requiring the agency to track down hundreds of thousands of additional missing participants and administer new individual pension asset accounts, S. 2424 would require the PBGC to increase spending on computer tracking systems, searches, and maintenance of individual accounts. CBO's estimate of the resulting administrative costs is based on data about the average cost to search for a missing participant (about $19 per participant for initial searches and $9 for subsequent searches), how much it costs to maintain individual pension accounts (about 0.1 percent of assets being managed), and how much it would cost to update and maintain the agency's record-keeping system (about $5 million in the first year and $300,000 each year thereafter).

Reduce Flat-Rate Premiums Paid to the PBGC. Under current law, defined-benefit pension plans operated by a single employer pay two types of annual premiums to the PBGC. All covered plans are subject to a flat-rate premium of $19 per participant. In addition, underfunded plans must also pay a variable-rate premium that depends on the amount by which the plan's liabilities exceed its assets.

The bill would reduce the flat-rate premium from $19 to $5 per participant for plans established by employers with 100 or fewer employees during the first five years of the plan's operation. According to information obtained from the PBGC, approximately 8,300 plans would eventually qualify for this reduction. Those plans cover an average of about 10 participants. CBO estimates that the change would reduce the PBGC's premium income by $8 million from 2005 through 2014.

Changes in Variable Premiums Paid to the PBGC. S. 2424 would make several changes affecting the variable-rate premium structure paid by underfunded plans. CBO estimates these provisions would decrease premium receipts by $51 million over the 2005-2014 period.

First, for all new plans that are underfunded, the bill would phase in the variable-rate premium. In the first year, plans would pay nothing. In the succeeding four years, they would pay 20 percent, 40 percent, 60 percent, and 80 percent, respectively, of the full amount. In the sixth and later years, they would pay the full variable-rate premium determined by their funding status. Based on information from the PBGC, CBO estimates that this change would affect the premiums of approximately 250 plans each year. It would reduce the PBGC's total premium receipts by $41 million over the 2005-2014 period.

Second, the bill would reduce the variable-rate premium paid by all underfunded plans (not just new plans) established by employers with 25 or fewer employees. Under the bill, the variable-rate premium per participant paid by those plans would not exceed $5 multiplied by the number of participants in the plan. CBO estimates that approximately 2,500 plans would have their premium payments to the PBGC reduced by this provision beginning in 2005. As a result, premium receipts would decline by $9 million over the 2005-2014 period.

Authorization for the PBGC to Pay Interest on Refunds of Premium Overpayments. The legislation would authorize the PBGC to pay interest to plan sponsors on premium overpayments. Interest paid on overpayments would be calculated at the same rate as interest charged on premium underpayments. On average, the PBGC receives $19 million per year in premium overpayments, charges an interest rate of about 8 percent for underpayments, and experiences a two-year lag between the receipt of payments and the issuance of refunds. Based on this information, CBO estimates that direct spending would increase by $3 million annually.

Benefits Paid to Substantial Owners of Terminated Plans. S. 2424 would simplify the rules by which the PBGC pays benefits to substantial owners (those with an ownership interest of at least 10 percent) of terminated pension plans. Only about one-third of the plans taken over by the PBGC involve substantial owners, and the change in benefits paid to owner-employees under this provision would be less than $500,000 annually.

Railroad Retirement Benefits. The Railroad Retirement Program is a federally run retirement system that provided annuities to qualified railroad retirees, their spouses, and their survivors. The system is divided into two parts: Tier I provides benefits approximating Social Security benefits, and Tier II provides benefits similar to those in an employer-sponsored defined benefit pension plan. A former spouse of a railroad worker is not entitled to begin receiving Tier I or Tier II benefits until the employee begins collecting benefits. In addition, any Tier II benefits received by a former spouse are terminated upon the death of the railroad retiree.

Section 621 would eliminate the requirement that a railroad employee be retired for a former spouse to begin collecting railroad retirement benefits awarded by a court. In addition, section 622 would eliminate the requirement that Tier II benefits being paid to a former spouse of a railroad retiree cease upon the death of the retiree. Based on information provided by the Railroad Retirement Board, CBO estimates that section 621 would increase direct spending on railroad retirement benefits by less than $500,000 annually, and section 622 would increase benefit costs by less than $500,000 in 2005 and by $8 million over the 2005-2014 period.

Tax Court. Tile VII would establish a new retirement program for special judges of the U.S. Tax Court and renames those positions to be magistrate judges of the Tax Court. Under current law, most special trial judges participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), depending on when they first entered government service. The bill would provide all current and future magistrate judges the option of being covered by the new retirement program or continuing their coverage under CSRS or FERS. Information provided by the U.S. Tax Court indicate that about 10 special trial judges currently work for the court and that these judges have been employed by the government for an average of 34 years. All of these special trial judges are covered under CSRS and earn about $140,000 annually.

Current or newly appointed judges who opt to be covered by the new retirement program would be entitled to refunds of employee contributions made to either CSRS or FERS. The employee contribution rate for most workers covered by CSRS is 7 percent, while the rate for FERS is 0.8 percent. CBO assumes that all of the special judges employed by the court would elect to have their retirement contributions refunded and be covered by the new retirement program. Based on this assumption, CBO estimates that enacting S. 2424 would increase direct spending for refunds of employee contributions by $3 million in 2005 and less than $500,000 for each year thereafter.

Both CSRS and FERS are defined benefit pension programs that provide retirement annuities based on the final years of salary and amount of creditable service. For workers with the age and service history of the current special judges of the Tax Court, CSRS replaces about 60 percent of a retiree's salary and FERS replaces about 30 percent, although those in CSRS do not earn Social Security credits while those in FERS do. The new retirement program for special trial judges, like that for regular Tax Court judges, would replace 100 percent of a judge's final salary upon retirement. CBO estimates that the difference between what these judges would have gotten under CSRS and what they would get under the new retirement program would increase federal spending by less than $500,000 annually during the 2005-2014 period, but total nearly $2 million over the 10-year period.

Other Provisions. S. 2424 also contains several other proposals that could have an effect on direct spending. These include provisions to provide survivor annuities for assassinated Tax Court judges and changes the eligibility standards for Tax Court judges under the Federal Employees' Group Life Insurance program. CBO estimates each of these provisions would increase federal spending by less than $500,000 annually.

Spending Subject to Appropriation

S. 2424 includes several provisions that would, assuming the appropriation of the necessary amounts, cost $22 million over the 2005-2014 period.

Tax Court. Title VII would require that the Secretary of the Treasury establish a new trust fund for the new retirement program. This fund, to be called the Tax Court Judicial Officers' Retirement Fund, would receive agency and employee contributions and pay out benefits to retirees and survivors. The bill specifies that the Tax Court would make adequate contributions to eliminate the program's unfunded liability, taking employee contributions into account. Information provided to CBO by the Tax Court indicates that this payment would amount to about $2 million annually during the 2004-2014 period, subject to the availability of appropriated funds.

Studies. S. 2424 would direct various federal agencies to undertake three studies: one on making employee pension plans more widely available to workers, one on employee stock-ownership plans, and one on extending spousal consent rules to defined benefit plans. Based on the costs of studies with comparable requirements, CBO estimates these studies would cost about $2 million over the 2005-2006 period.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

JCT has determined that the tax portions of S. 2424 contain no intergovernmental mandates as defined in UMRA. CBO has reviewed all provisions of S. 2424 that are not amendments to the Internal Revenue Code and determined that those provisions contain no intergovernmental mandates as defined in UMRA; they would impose no costs on state, local, or tribal governments, because those governments are exempt from the requirements of ERISA that S. 2424 would amend. The other nontax provisions of the bill would impose no requirements on those governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

With only limited exceptions, private employers who provide pension plans for their workers must follow rules specified in ERISA. Therefore, CBO considers changes to ERISA that expand those rules to be private-sector mandates under UMRA. The nontax provisions of S. 2424 would make changes to ERISA that would affect sponsors, administrators, and fiduciaries of pension plans. CBO estimates that the direct cost to affected entities of the new requirements in the bill would exceed the annual threshold specified in UMRA ($120 million in 2004, adjusted annually for inflation) in each of the first five years the mandates would be effective. JCT has determined that the revenue provisions of S. 2424 do not contain any private-sector mandates.

Investment in Employers' Securities

Section 101 of the bill would impose restrictions on individual-account (defined contribution) plans regarding assets held in the plans in the form of employer securities or employer real property. The bill would require affected plans to allow participants to immediately sell those securities that have been acquired through the employee's contributions, and to sell securities and real property acquired through the employer's contributions after three years of service with the firm. The latter requirement would be phased in over three years for most individuals. CBO estimates that the added administrative and record-keeping costs of this provision would be approximately $15 million annually during the phase-in period.

Section 102 would require plan administrators to provide those participants with a right to divest under section 101 with a notice informing them of that right and describing the importance of diversification. CBO estimates the added administrative cost attributable to this provision would be about $5 million in the first year the mandate was effective and less in later years.

Benefit Statements

Section 201 would require administrators of private, individual-account pension plans to provide quarterly statements to participants and beneficiaries who are able to direct investments. Those statements would have to contain several items, including the amount of accrued benefits, the amount of nonforfeitable benefits, the value of any assets held in the form of securities or real property of the employing firm, an explanation of any limitations or restrictions on the right of the participant or beneficiary to direct an investment, and an explanation of the importance of a well-balanced and diversified portfolio. Currently, plans must provide more-limited statements to participants upon request.

CBO estimates that the direct cost of this new requirement on private plans would be about $90 million annually. According to industry sources, the majority of plans sponsored by large employers already provide pension statements on a quarterly basis, and it is becoming increasingly common for plans sponsored by smaller employers to do so as well. CBO estimates that fewer than half of the approximately 80 million participants in private individual-account plans in 2005 would newly receive statements four times per year under the bill. The average cost of providing each statement would be small because plans are now required to provide benefit statements on request and because the bill would allow statements to be provided electronically to participants with access to the Internet.

Section 201 also would require administrators of private, defined-benefit pension plans to provide vested participants currently employed by the sponsor with a benefit statement at least once every three years, or to provide notice to participants of the availability of benefit statements on an annual basis. CBO estimates that the added cost of this provision would be less than $5 million per year.

Investor Education

Section 202 of the bill would require plans to provide participants with basic investment guidelines. CBO estimates the added cost of this provision would be about $10 million per year.

Faster Vesting of Employer Nonelective Contributions

Under current law, sponsors of defined contribution plans are required to grant an employee full nonforfeitable rights to the employee's accrued benefits derived from the employer's nonmatching contributions after five years of service, or to grant the employee nonforfeitable rights to specified percentages of such benefits over a multiyear period with nonforfeitable rights to 100 percent of such benefits after seven years of service.

Section 416 of the bill would alter the Employee Retirement Income Security Act to require sponsors to grant the employee full nonforfeitable rights to those benefits after three years of service, or to grant the employee nonforfeitable rights to specified percentages of those benefits over a multiyear period with nonforfeitable rights to 100 percent of such benefits after six years of service. These provisions would cause a reduction in the forfeitures of assets by affected plan participants, which would increase the cost to plans' sponsors. CBO estimates that assets in private, defined contribution plans will total $2 trillion in 2005. Based on information from the Department of Labor and the Employee Benefit Research Institute, CBO estimates that these provisions would increase the annual cost to the sponsors of such plans by roughly 0.02 percent of plan assets, or by approximately $400 million per year.

Multiemployer Plan Funding and Solvency Notices

Section 442 of the bill would require the administrators of multiemployer defined-benefit plans to provide funding and solvency notices to participants, beneficiaries, labor organizations and employers associated with the plan. CBO estimates the cost of this provision to be less than $5 million per year.

PREVIOUS CBO ESTIMATES

On March 13, 2003, CBO transmitted a cost estimate for H.R. 1000, the Pension Security Act of 2003, as ordered reported by the House Committee on Education and the Workforce on March 6, 2003. On November 18, 2003, CBO transmitted a cost estimate for H.R. 1776, the Pension Preservation and Savings Expansion Act of 2003, as ordered reported by the House Committee on Ways and Means on July 18, 2003.

Some of the provisions contained in both H.R. 1000 and H.R. 1776 are similar to those in S. 2424. Namely, H.R. 1000 and H.R. 1776 would both reduce flat-rate premiums paid to the PBGC and would reduce variable-rate premiums for new plans and small plans. In addition, both bills would authorize the PBGC to pay interest on premium overpayments and simplify the rules by which the PBGC pays benefits to substantial owners of terminated plans. These provisions are nearly identical to the ones contained in S. 2424, as are CBO's estimates of their costs.

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