



Robin Solomon Quoted on Pension Plan Funding Strategies

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IPB partner Robin Solomon was quoted in the recent PLANSPONSOR article, "Managing Growing PBGC Premiums."

From the article: Solomon's firm works with companies on how to improve their funded status. She says that for companies that have been relying on funding relief and have only made the minimum contributions to the plan, it's very difficult to improve the funding status based on stock market gains alone.

"We work with companies to look for creative funding strategies. There are many ways to fund a pension plan that do not require cash. One such solution is contributing real property or employer securities to the plan. Another is contributing Treasury bills to the plan instead of cash. These could be Treasuries held by the company already, or purchased for this purpose. A contribution of T-bills may be more attractive to company executives because unlike a cash contribution it is not reported on their financial statements as a use of operating cash flow. A DOL exemption is required, but we work with clients to obtain the necessary exemption from the prohibited transaction rules."

The rising pension premiums are definitely scaring plan sponsors, says Solomon, "Plan sponsors are trying to reduce head count in order to lower PBGC obligations," she says. "This year, in particular, we've seen record stock market returns. Most categories of equities have had positive returns so far this year and plan funding has benefited as a result."

But there is another side of this equation, Solomon says, namely "interest rates, which are used to calculate pension liabilities. Even though the stock market has gone up, pension funding has not



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improved that much because interest rates have remained unusually low for a long period of time."

Solomon says, "Transactions to improve the funding of the plan are in the participants' best interest. It makes the plan more secure, and it certainly reduces the employer's obligation to pay PBGC variable rate [premiums], which are extremely costly."

In some cases, Solomon adds, pension plan liability can be mitigated by making certain changes to pension plan design—even without making any additional contributions to the plan.

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