



On Its 10th Anniversary, ASPPA PAC Needs Your Support

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ASPPA PAC (Political Action Committee) turns ten this year, and this year more than ever, the PAC needs your support. The legislative challenges to qualified pension plans grow more intense as the years go by. ASPPA PAC is among the most effective tools available to the ASPPA Government Affairs Committee (GAC) and staff as we work with Congress to shape the laws that govern our business.

The Challenges

ASPPA is geared up for both long-range and short-term activity this year, working with a number of key lawmakers on imminent and future legislative initiatives. Among these efforts are:

- **Tax reform:** While tax reform legislation is unlikely to work its way through the legislative process this year, the groundwork for action next year is being laid right now. Virtually every lawmaker from both parties support the idea of systemic tax reform, and that poses grave risks for qualified plans.

Whether tax reform takes the form of base broadening and rate reduction, or shifting from income based to consumption based tax rules, incentives for retirement savings remain critical. It is crucial that whatever the new system brings, it retains special incentives for savings locked up until retirement.

This environment is not the no-brainer that ASPPA members and other retirement savings experts know intuitively. Many previous tax reform proposals have suggested treating all savings equally—whether inside or outside of a qualified plan. This type of strategy could prove disastrous for retirement savings. If a person gets the same tax-based financial advantages for short-term easy-access savings outside of a qualified plan, why in the world would he or she lock those savings up? Similarly, it is unlikely a plan sponsor would incur the costs of a qualified plan if it becomes possible to get the same tax advantages when saving outside of a qualified plan. Thus, ASPPA GAC must educate lawmakers so that they understand that all types of savings are not equal. It is vitally important that tax incentives continue to apply specifically to the long-term savings provided through qualified plans. In this way, American workers will have a much better chance of reaching retirement age with sufficient retirement savings to meet their needs.

ASPPA must be ever watchful to make sure that Congress does not equalize the tax advantages for savings inside and outside of a qualified plan. ASPPA must make sure that Congress understands and supports the need for incentives that make saving through qualified plans attractive to business owners, despite the costs associated with pension plans.

- ***Next generation pension laws:*** The 2006 Pension Protection Act (PPA) was a sweeping reform of the rules, especially the funding rules, associated with defined benefit (DB) plans. But much remains to be done, and key lawmakers are at work addressing matters that were left unresolved. These issues include defined contribution (DC) plan issues, issues of particular concern to small businesses and to women in the work force, lingering cash balance and other hybrid plan issues, phased retirement issues and 401(k) plan fee disclosure issues.

Pension law is complex. Two major statutes, ERISA and the Internal Revenue Code, are in play. Both are replete with important but technical detail. Even Congress' technical staff needs and benefits from the input from ASPPA experts who work with ERISA and code-based detail every day. The theory of how a rule would work, the tax policy that inspires it, the revenue implications that accompany it and then—most importantly—its potential impact in the real world—all require extensive education of the lawmakers who make decisions. ASPPA GAC works with literally hundreds of lawmakers and their staffs on a daily basis to make sure they know and fully understand the interaction of these complex laws and the proposals offered to modify them.

- ***2008 activity:*** The work this year is already underway. ASPPA is hard at work winning approval of the crucially important PPA technical corrections legislation. High on our priority list is an effort to persuade lawmakers to approve a fixed interest rate (5.5 percent) for calculating Section 415 limited lump sum payments. Legislation to modify the “pension funding whipsaw” that comes from the use of different interest rates to calculate cash balance plan account balances as compared to plan funding obligations is another current ASPPA priority. And, among the most active of the 2008 issues that have already developed is the ongoing effort to require more disclosure of 401(k) plan fees and expenses.

These are just the current initiatives that ASPPA GAC is working on—others may (and probably will) develop as the year progresses. Congress is working under budgetary “pay-go” rules—rules that require that any new tax break be fully offset by a tax increase or spending cut somewhere else. Thus, a new pension plan tax incentive often operates awkwardly, or in a limited way, because of the revenue implications that accompany it. Tax writers frequently modify a pension rule to squeeze offsetting revenue from it, or to limit revenue loss that arises from it. Further, pensions—which are appropriately but extensively tax-favored—have historically been a rich source of offsetting

revenue. This means ASPPA personnel are constantly on the alert for revenue-based (and usually adverse) pension proposals.

How the PAC Works

ASPPA PAC does not lobby. Rather, it exists as a tool that can be and is used by ASPPA GAC personnel as they lobby on behalf of qualified plans. ASPPA PAC allows ASPPA lobbyists to help lawmakers whose help ASPPA GAC seeks, often on a routine basis. In short, ASPPA PAC “opens the door” by permitting a two-way helpful relationship between lawmakers and those who represent pension plan professionals.

ASPPA PAC raises money to be used as campaign contributions to those lawmakers chosen by PAC members. Recipients of ASPPA PAC contributions are lawmakers who have demonstrated particular interest in qualified plan issues and who are in a position to exert influence on pension law developments. PAC law limits PAC contributions (generally, \$5,000 per lawmaker, per election). Thus, there is no “vote buying” or “influence peddling.” Rather, the PAC bands together thousands of pension professionals’ support for lawmakers who support and understand pension law, which helps those lawmakers win election and reelection.

The PAC is among ASPPA GAC’s most important tools. It allows ASPPA GAC personnel to “give back;” to help lawmakers who are helping us. And, as the baby boomer generation approaches retirement, more and more lawmakers are becoming interested in retirement planning issues. ASPPA GAC personnel, supported by a growing and vigorous ASPPA PAC, are forging relationships with an ever growing number of federal lawmakers who are exerting more and more positive impact on pension plan law.

Because pension law is made by both Democrats and Republicans, regardless of which party is in power at any given time, ASPPA PAC is a bipartisan entity. In the Senate, ASPPA PAC has supported 24 senators and nine of their leadership PACs, including such key pension lawmakers as Senators Max Baucus (D-MT), Ben Cardin (D-MD), Kent Conrad (D-ND), Charles Grassley (R-IA), Gordon Smith (R-OR) and Olympia Snowe (R-ME). In the House, ASPPA PAC has supported 33 congressman and 14 of their leadership PACs, including Representatives Rob Andrews (D-NJ), Jim McCrery (R-LA), Buck McKeon (R-CA), George Miller (D-CA), Richard Neal (D-MA), Adam Putnam (R-FL) and Charles Rangel (D-NY). All these lawmakers serve on the committees that act on ERISA and tax pension law and/or in the Congressional leadership. They are just a few of the many that ASPPA PAC supports.

What’s in Store for PAC Supporters

ASPPA PAC’s 10th anniversary year coincides with a particularly intense need for PAC support from you and for lawmakers in this crucial presidential election year. ASPPA GAC and ASPPA PAC volunteers challenge you to help us grow the PAC – as the PAC helps GAC grow the friendliness of the environment in which pension plans are implemented.

The PAC has a number of initiatives underway to increase both the number of ASPPA members who support it and the level of support (dollars) they give.

You can visit www.asppa.org and proceed to the Members-Only section for an online contribution form.

You can support individual lawmaker fundraisers—several are in the planning stages around the country. Typically, these receptions, breakfasts or dinners gather together ASPPA members with a key lawmaker. The ASPPA member gives a campaign contribution (usually \$250) to the lawmaker, as does ASPPA PAC itself.

There will be a peer-to-peer fundraising campaign this spring. One of your colleagues will be calling you to ask you to contribute to the PAC. Please say yes and give as generously as you can.

An all-member PAC solicitation letter will go out later this year, too. It will encourage all ASPPA members to support the PAC, at any level they can afford. Please respond to this letter yourself and also encourage your colleagues and friends to respond. If you quickly respond to the letter, you will save the time and resources of the PAC and PAC personnel in making follow-up calls to win your support. There will be several contests, with interesting prizes—ranging from special recognition at an ASPPA conference or meeting, to a US flag flown over the Capitol—for ASPPA members who raise the most money for the PAC, and/or who recruit the most new PAC members.

The ASPPA Annual Conference in October in Washington, DC will feature a PAC-based, political theme—complete with convention-like buntings and booths. While we hope you will have joined the PAC well before October, this will be another chance to support and celebrate all that ASPPA PAC does for ASPPA members, their businesses and their clients.

ASPPA PAC will host a special post-presidential election webcast for ASPPA PAC members only. Those who give at or above the \$250 level will be able to participate in the webcast without paying its registration fee. The webcast will analyze election results and tie them to the elections' potential impact on ERISA and tax pension law. It will be a not-to-be-missed event!

To summarize, pension plans are a creature of ERISA and tax law. Our entire business is derived from and depends on federal law. Thus, building and maintaining credible, trusted relationships with the elected officials who make pension law is a primary goal of ASPPA GAC. ASPPA PAC is an integral tool of that effort. ASPPA PAC needs your support. It needs it now and into the future.

ASPPA PAC opens doors.

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Danea M. (Dani) Kehoe, Esq., serves as an outside lobbyist and PAC consultant to ASPPA, bringing 27 years of experience working with trade associations, insurance companies and firms that specialize in employer-provided benefits and executive compensation. Dani spent almost 20 years as associate general counsel, government affairs to the National Association of Insurance and Financial Planners—NAIFA—formerly, NALU, where she worked on a variety of PAC issues.