



The Pension Coalition
advancing retirement security through
voluntary employer-sponsored plans

April 2006

The Pension Coalition April Congressional Recess Grassroots Packet

1. Draft insert for company newsletter or intranet site
2. Draft CEO letter
3. Draft Op-ed for local papers

For more information visit:
www.thepensioncoalition.org

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This is the first in a series of informational pieces to be circulated by the Pension Coalition

as current pension reform legislation continues to take shape.

Company Newsletter or intranet announcement

Congress is Making Decisions that will Impact Our Pension Plan **Help Make [insert company name] Voice Heard**

Congress is now in the final stages of drafting legislation that will dramatically impact America's private retirement security system. The legislation will affect millions of Americans and direct how trillions of dollars are allocated, invested and protected on behalf of America's workers and retirees. In other words, the pension legislation is important, and Congress needs to get it right.

[insert company name] believes the goal of pension reform should be to strengthen the private retirement security system by enacting policies that encourage employers to maintain traditional defined benefit plans and encourage employees to save more through improvements to the defined contribution system. We need your help to get this message to Congress.

[insert company name] is a member of the Pension Coalition, The Pension Coalition includes employers, service providers, and trade associations concerned about the private retirement plan system. The Coalition web site, www.thepensioncoalition.org has a "Take Action" section that will allow you to send a letter to your Member of Congress. The tool includes information on the bill and suggested text that you can use. Additionally, the letter will be automatically sent to your Member of Congress right from the web site. Please help **[insert company name]** educate Congress on the need for common sense pension reform.

SUGGESTED CEO LETTER TO CONFEREES

On behalf of _____ and our _____ employees I am writing to urge you and your colleagues to persevere and complete your work on comprehensive pension reform legislation. _____ very much appreciates the current efforts by Members of Congress on pension policy and want to work with you to strengthen the private voluntary retirement system.

_____ currently provides our employees a defined benefit plan and a 401(k) defined contribution plan. _____ has roughly _____ employees in the defined benefit plan and approximately _____ total participants, many of whom reside in _____. _____ has been a proponent of pension reform legislation and has been actively involved in supporting legislation that strengthens the private voluntary pension system.

Meaningful reform legislation must preserve a strong pension system by eliminating legal uncertainties, minimizing funding volatility and providing plan sponsors with predictability and flexibility. The legislation that is eventually adopted will have a profound impact on the future of America's retirement security. Overly restrictive policies will not only impact companies and retirees, but also the entire economy. A successful final bill should allow employers to continue to maintain defined benefit plans and at the same time grow their companies and foster a more vibrant U.S. economy that creates more jobs and more opportunities for America's workers.

The final pension reform bill must do the following:

- Affirm the lawfulness of hybrid pension designs. Congress should clarify that all existing and future hybrid plans are not age discriminatory.
- Preserve smoothing rules. Employers need a predictable, reasonable and rational means of determining pension contributions.
- Reject proposals to allow credit rating agencies to set federal pension obligations.
- Permit the use of appropriate interest to value pension liabilities
- Protect existing credit balances and eliminate deduction limits that discourage contributions.
- Provide reasonable and gradual transition to the new funding rules.

Senator, _____ whole heartedly supports the goal of improving the defined benefit system and improving retirement savings in the long term. Thank you in advance for consideration of our priority issues and recommendations. On behalf of _____, I look forward to working with you to complete work on this important legislation aimed at strengthening the entire employer sponsored retirement system.

Sincerely,

CEO

Millions of Americans Are Counting On Congress To Get Pension Reform Right

Congress is in the final stages of drafting legislation that will dramatically impact all aspects of retirement security in America. The legislation will affect millions of Americans and direct how trillions of dollars are allocated, invested and protected for workers and retirees. In other words, the pension legislation is a big deal, and Congress needs to get it right.

The defined benefit pension system is a uniquely American success story. The system pays out over \$120 billion in annual benefits and covers over 44 million workers. Employers fund the pension plans and the law has provided flexibility to allow each company to design a plan that fits the company's needs and the needs of the company's employees. Employers are required to purchase insurance from the Pension Benefit Guaranty Corporation (PBGC) for each covered worker in case the company goes bankrupt and does not have enough money to pay promised benefits. In those cases, the plan assets and premiums from other companies fund the benefits for impacted workers. As the system has operated for decades, companies do not hand over their pension obligations to taxpayers, but rather other companies in the system provide the financing through the PBGC.

As times have changed, there is broad recognition that America should adopt measured reforms to keep our private retirement security system working for both employers and employees. The pension laws should recognize the new challenges of globalization that both employers and employees face every day. The goal of pension reform legislation should be to strengthen this system by enacting policies that encourage employers to maintain traditional defined benefit plans and encourage employees to save more through improvements to the defined contribution system.

Employers agree that pension plans should be fully funded and accept that virtually all companies will be required to put more money into their pension plans. If a particular company falls behind on funding its plan, that is a cause for concern, and the law should provide remedies to protect workers and the Pension Benefit Guaranty Corporation. But, the law should also reflect the fact that the overwhelming majority of employers have done a good job of providing retirement security for the employees. If Congress places too many burdens and restrictions on these employers, fewer and fewer will decide to stay in the defined benefit system.

Employers sponsor defined benefit pension plans voluntarily. Employers offer the plans if they make sense for their business model, their employees and their shareholders. Because pensions are earned over the course of a long career, they are long-term obligations. A plan sponsor puts money away for decades to provide for a worker's benefits in retirement. Over the course of the decades of a

worker's career, interest rates are going to fluctuate, and the stock market is going to be volatile – and the business is likely to have some ups and downs.

Some of the provisions under consideration in the pension bill do not reflect the reality of the long-term nature of pension obligations. For example, Congress must not eliminate the ability of plan sponsors to reduce the volatility of funding by averaging and smoothing out fluctuations in interest rates over a three or four year period. Congress should not increase funding obligations based on credit ratings because that can trigger a cash crunch for a company at precisely the wrong moment. Congress should encourage employers to pre-fund their plans by preserving credit balances. And, finally, Congress must provide legal certainty by clarifying the basic age discrimination standard for all defined benefit plans.

As Congress works to get pension reform right, it is critical for the retirement security system that Congress listen to both employers and employees and act to strengthen the private pension system. Millions of Americans are counting on Congress to get this right.