



AMERICAN ACADEMY *of* ACTUARIES

News Release

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Actuaries Urge Congress to Protect Defined Benefit Pension Plans Suggest Congress “Level the Playing Field”

(Washington, D.C. – September 15, 2003) In testimony today before the U.S. Senate Committee on Governmental Affairs, Subcommittee on Financial Management, the Budget and International Security, John Parks, vice president of the Pension Practice Council of the American Academy of Actuaries, called on Congress to "simplify the rules" for defined benefit pension plans. He asked Congress to act quickly to replace the 30-year Treasury bond discount rate with a benchmark using high-grade, long-term corporate bonds for pension funding. He also asked that if Congress enacts a temporary rate, that it be for five years to ensure a greater degree of certainty for plan sponsors. The Academy is the nonpartisan public policy organization representing actuaries practicing in the United States.

Parks urged Congress to level the playing field between defined benefit and defined contribution plans to strengthen America's retirement security. He said that many companies now are questioning the future of their defined benefit pension plans under the current financial strains of the economy, rigid and short-range funding requirements, and arcane pension laws and regulations. He emphasized that the limit on tax deductible contributions, erratic minimum contribution requirements, as well as rules relating to withdrawals also are making it a challenge for many employers to justify the cost of their plans.

Parks said there has been a steady shift away from the guaranteed retirement income from defined benefit pension plans toward self-annuitization through defined contribution plans. “The danger in this transfer of financial and mortality risk to individuals is largely unseen because the people affected have mostly not yet retired Parks said. We must continue to keep defined benefit pension plans.”

He added that some of the advantages of defined benefit pension plans include providing employees with a steady and secure income for life without having to bear market risk, providing employers contribution flexibility to keep a stable work force, and reducing the nation's dependence on social programs such as Social Security, Medicare, Medicaid, and Supplemental Security Income.

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The American Academy of Actuaries is the nonpartisan public policy organization for the U.S. actuarial profession. The Academy provides independent analysis to elected officials and regulators, maintains professional standards for all actuaries, and communicates the value of actuarial work to the media and public. For a copy of Park's testimony, go to www.actuary.org.