



AMERICAN BENEFITS  
COUNCIL

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### **Council condemns inclusion of cash balance provision in final appropriations bill**

WASHINGTON, DC – “Congress will unwittingly deal a serious blow to the retirement security of millions of Americans with the passage of the Treasury-Transportation appropriations bill,” American Benefits Council President James A. Klein said today, reacting to the inclusion of a harmful pension provision in the final conference report. The provision precludes the Treasury Department from promulgating regulations on age discrimination in defined benefit plans, including hybrid plans, during the 2004 fiscal year.

“At best, this provision is an inappropriate abuse of political power over the regulatory process. At worst, the provision — and the legal precedent on which it is based — is ‘substantively and constitutionally unsound,’ as a recent legal study has determined,” Klein said.

“We are even further disappointed that the language that was added to direct the Treasury Department to propose legislation dealing with conversions to cash balance plans was apparently included with the blessing of the White House. I guess this gives the Administration cover to say that Congress forced them to develop legislation,” Klein noted.

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“I still remain cautiously optimistic that Congress and the Administration will act to fix — even temporarily — the inappropriate 30-year Treasury bond interest rate used for pension funding purposes. However, if Congress and the Administration are willing to let confusion reign for the next year over the future of pension plans by supporting the cash balance provision, then they may be willing to leave employers and pension plan participants in the lurch by going home for the holidays without completing work on the interest rate issue, too. If the Bush Administration and Congress want to prove my fears are unfounded, then they should complete work on interest rate reform now,” Klein concluded.

“Hybrid pension plan designs have proven to be the one source of vitality and innovation in an otherwise struggling defined benefit pension system, with the ability to combine the guaranteed lifetime benefits workers need with the portability workers crave,” Klein said. “If enacted, this appropriations provision will effectively cripple the development and maintenance of these plans. Combined with the multiple threats to traditional defined benefit plans, the demise of hybrid plans will leave American employees with fewer choices and more risks when planning for retirement.”

Klein and Lynn Dudley, Council vice president and senior counsel, are available to comment further on these issues. Interviews can be arranged by contacting Deanna Johnson Keim, APR, Council director, communications, or Jason Hammersla, Council communications associate, by phone at 202-289-6700 or via e-mail at either [djkeim@abcstaff.org](mailto:djkeim@abcstaff.org) or [jhammersla@abcstaff.org](mailto:jhammersla@abcstaff.org).

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*The American Benefits Council is the national trade association for companies concerned about federal legislation and regulations affecting all aspects of the employee benefits system. The Council's members represent the entire spectrum of the private employee benefits community and either sponsor directly or administer retirement and health plans covering more than 100 million Americans.*