



**COMMITTEE ON EDUCATION AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES**

FOR IMMEDIATE RELEASE

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May 12, 2004

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**Boehner, Johnson Announce Plans to Hold a
Hearing on Cash Balance Pension Plans**

WASHINGTON, D.C. - House Education & the Workforce Committee Chairman John Boehner (R-OH) and Employer-Employee Relations Chairman Sam Johnson (R-TX) today announced plans to hold a hearing to examine the status of cash balance pension plans as the Committee prepares comprehensive legislation to reform and strengthen the defined benefit pension system.

The hearing will examine the issues surrounding employer conversions to cash balance plans, and how hybrid pension plans provide a mobile American workforce with greater retirement security. It will be the first congressional hearing exclusively on cash balance plans in years. Boehner and Johnson released the following statement:

"We plan to pursue permanent solutions to preserve cash balance pension plans as a viable retirement security vehicle through a careful, deliberative approach with a hearing and bipartisan discussions on our Committee as we draft a comprehensive bill to strengthen and reform the defined benefit system this year. There have been no hearings held on cash balance conversions in either the House or Senate for years, so any attempt to legislate hastily would only undermine and weaken the defined benefit pension system even further.

"We are concerned, just as others are, that a few conversions to cash balance plans have resulted in periods when no new normal retirement benefits accrue. But we also need to make clear that a large majority of these conversions have been handled properly, within the rule of the law, and to the benefit of workers. It is also important to remember that cash balance plans can offer unique benefits to help many workers enhance their retirement security. In fact, studies indicate more workers receive higher benefits from their cash balance plan than benefits earned under a traditional defined benefit plan.

"The Education & the Workforce Committee continues to spend considerable time and effort working to provide pension protections that will help workers protect and expand their retirement savings. We believe cash balance plans are an important part of the defined benefit pension system, and all American workers deserve plan security and valuable retirement benefits. The last thing we should do is enact legislation with unintended consequences that force additional pension plans to freeze or terminate and ultimately drive more employers out of the defined benefit system altogether. We have to remember that this is a voluntary system, and we shouldn't jeopardize employers' willingness to offer benefits in the first place. That is why we believe this issue should be addressed in a responsible manner with comprehensive reforms after the Committees of jurisdiction hold hearings on this important retirement security benefit."

Hybrid pension plan designs, including cash balance plans, are an important aspect for the future of the employer-sponsored, defined benefit pension system. Cash balance pension plans are often preferred by workers and employers because they provide equitable, portable, and secure retirement benefits. Cash balance plans are portable, may be rolled over to an IRA, are funded solely by employer contributions, and are federally insured by the Pension Benefit Guaranty Corporation. Employees are able to view their benefits in an account, just like a savings account based on a given interest rate. Unlike defined contribution 401(k) plans, cash balance plans provide protection for participants from market volatility. Furthermore, participants can choose to receive benefits in annuity form or take lump sum distributions.

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