



## AMERICAN BENEFITS COUNCIL

February 4, 2010

### FUNDING RELIEF: PLEASE PASS PENSION FUNDING RELIEF LEGISLATION

- Every person, every company and every community, across every industry and across the country, is affected by pension funding volatility because it is fundamentally a *jobs* issue. This affects the services of both for-profit companies and non-profit organizations on which many Americans rely.
- The obligations for 2010 were fixed on January 1, 2010, and we are preparing for those obligations as well as those that will be fixed in 2011 and 2012. Companies are being forced to lay off workers and cease capital investment, reducing their domestic and global competitiveness and hurting their ability to recover economically from the recession.
- Pension funding helps raise \$7.2 billion over ten years. It is not a bailout. It is a *stimulus*.
- Pension funding relief simply would change the timing for contributions that are required by law and that have resulted from market turmoil.
- The contributions are for benefits that will not be paid out until the distant future.
- This is not a request for relief from our funding obligations. It will not affect benefits currently being paid.
- A study prepared by former Joint Committee on Taxation staff clearly demonstrates the negative impact that these inflated pension plan contributions has on jobs and job creation.<sup>1</sup> Allowing companies more effective management of their funding requirements will help workers.

---

<sup>1</sup> JOBS IN PERIL: Assessing the Impact of Increases in Defined Benefit Plan Funding Obligations on Employment During A Recession. An Issues Analysis and Review of Academic Research. Optimal Benefit Strategies. October 30, 2009, available through the *American Benefits Council* website. [www.AmericanBenefitsCouncil.org](http://www.AmericanBenefitsCouncil.org)

- If we have to lay off more workers because of our pension contributions, we won't have those workers in place when business picks up. This is a significant competitive disadvantage.
- Credit markets are still tight and the economic downturn has reduced cash.
- The market downturn occurred at a time a new funding law was taking effect which had been passed by Congress in more robust times and without anticipation of the dramatic drop in the market.
- Pension funding affects everyone because of the inter-relationship of the economy. For every company that is affected by extreme funding volatility, their entire chain of suppliers and clients are affected as well as all of the businesses that the company and its workers supports in a community.
- Our companies rely on consumer spending – which is still very low which has had a dramatic impact on the economic circumstances facing many businesses.
- Continued low interest rates being set by the Federal Reserve to respond to the economy is worsening the situation facing companies with funding obligations.
- We urge you to provide a temporary "time-out" on pension funding obligations. Our liabilities have simply become unmanageable and we need Congress' help to bring them under control.