

March 27, 2009

The Honorable Timothy F. Geithner
Secretary of the Treasury
Main Treasury Building, Room 3330
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

The undersigned organizations, representing thousands of plan sponsors that provide retirement security benefits to millions of workers, are writing to you today with respect to the funding crisis currently confronting employers and nonprofit organizations nationwide.

As a result of the unprecedented downturn in virtually all the investment markets, pension funding ratios have fallen significantly over the past year and it is unlikely that the markets will recover sufficiently in the short term. In addition, corporate bond interest rates fell dramatically during December of 2008, triggering a significant increase in pension liabilities. Thus, in the midst of a very tight credit market, plan sponsors are currently facing even greater economic hurdles than they were last year. Without funding relief, many jobs will be lost and the economic recovery will be significantly slowed.

While we are actively seeking funding relief through Congressional action, we believe that the Department of Treasury should immediately take critical temporary steps that would provide additional assistance. Specifically, we are asking the Department to consider making two regulatory changes.

First, we ask that Treasury revisit a proposed funding regulation dealing with interest rates used to value pension liabilities. Under the Pension Protection Act of 2006 (“PPA”), plan sponsors may elect to value pension liabilities based on the full yield curve in effect for any “applicable month.” For a calendar year plan, the term “applicable month” means any month between September and January. However, under the current regulations, a calendar year plan can only use the full yield curve for January, which is based on December interest rates. As you know, the month of December saw a historic decrease in interest rates. The result of this unusual market condition caused significant increases in the value of pension liabilities. For that reason, it is especially important that, in accordance with the clear statutory language of the PPA, calendar year plans be allowed to determine 2009 funding obligations based on the full yield curve for any “applicable month”, i.e., the months from September 2008 through January 2009.

The second change that Treasury should consider is allowing plan sponsors the flexibility to choose among permitted means of valuing liabilities for 2009, just as Treasury recently did with respect to asset valuation and for 2010. Under current rules, plan sponsors need the Treasury’s consent to change valuation methods. However, in light of fluctuating interest rates, the significant downturn in the financial markets, and the absence of final funding regulations, we believe Treasury should permit all plan sponsors to make new interest rate elections in 2009 and then again in 2010.

We appreciate your attention and look forward to working with you to address these critical issues facing the defined benefit plan system.

Sincerely,
(Signatories)