

May 8, 2009

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

Dear Secretary Geithner:

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

First, we appreciate the very helpful guidance that has been issued by the Treasury since this crisis began, including the guidance contained in the recent IRS employee plans newsletter. That guidance stated the following:

- (1) the funding regulations will not be effective for plan years before they are issued,
- (2) for plan years beginning before the effective date of the regulations, use of the full yield curve for any “applicable month” will be permitted, and
- (3) automatic IRS approval will be granted with respect to interest rate elections for plan years beginning in 2009.

This guidance permits plans to elect to use the full yield curve for any applicable month with respect to any pre-effective date plan year. This is extremely helpful for companies trying to preserve jobs and benefits in today’s challenging economic climate.

But more challenges lie ahead. The relief described above is a major step forward for calendar year plans with respect to the 2009 plan year. But many plans with non-calendar year plan years may face huge funding burdens for their plan years beginning in 2009; the applicable month guidance may or may not help them, depending on interest rate movements in the coming months. And if the market does not fully recover by the end of this year, plans across the country could face 2010 funding obligations that are far greater than the obligations for 2008 or 2009. All of this means that we have much work ahead of us in the very near future to address critical economic issues. If the market does not recover and credit markets remain tight, many companies facing large funding obligations would be forced to lay off workers and reduce benefits, instead of investing in their business and helping the economic recovery.

There are critical temporary steps that the Department of Treasury could take to provide much needed help. Specifically, we are asking Treasury to consider making two regulatory changes.

First, it is very important that companies be permitted to make new interest rate elections for plan years beginning in 2010. In order to make it through 2009, many companies feel compelled to elect the full yield curve for 2009. Without such an election, contributions for 2009 would be unaffordable for such companies. However, those same companies may not be able to make business plans on an ongoing basis if they must contend with the unpredictability of the

full yield curve. So for business reasons, it is critical that companies be permitted to elect the segment rates for 2010 and thereafter. In fact, based on discussions with several large companies, it appears that a significant percentage of plan sponsors may be so concerned about the possibility of being locked into using the full yield curve that they are considering not electing it for 2009, despite the great short-term advantages of doing so.

In short, there is a great need for companies using the full yield curve for 2009 to be able to elect to use the segment rates for 2010. In addition, permitting such elections is appropriate. Companies should not be bound by elections made before the regulations are finalized. Certainly, the final regulations will be different from the proposed regulations, which means that companies should be entitled to reevaluate their mode of compliance.

Our second regulatory request is that the funding regulations should not be effective until plan years beginning after December 31, 2009. If final funding regulations are issued soon and are effective for plan years beginning after they are issued, plans with plan years beginning July 1 or October 1, for example, could lose the right to use a reasonable interpretation of the law very soon. Such plans would then have only one year of “reasonable interpretation”, instead of the two years given calendar year plans.

Also, if the funding regulations are effective for some plan years starting in 2009, but not other years beginning in 2009, new administrative challenges and possibilities for errors could be created. For example, 2009 Forms 5500 would have to be reviewed based on different funding standards depending on the plan year at issue; instructions for such Forms would also have to vary. It would be simpler to follow a uniform rule for plan years beginning in the same calendar year. This would also provide many plan sponsors with more time to adjust to the final regulations, especially with respect to the very difficult benefit restriction issues.

As we watch interest rate movements in the next few months, it may become clear that non-calendar year plans need significant additional help, especially since, as noted above, non-calendar year plans may not benefit nearly as much from the applicable month guidance. But at a minimum, at this point, we ask that the funding regulations not be effective until plan years beginning after December 31, 2009. That gives non-calendar year plans another year of “reasonable interpretation”, which could be helpful.

As market conditions evolve in the near future, it may also become clear that additional flexibility is needed with respect to the application of the funding regulations. We hope to be able to continue our very constructive dialogue with you as we all try to address the critical issues facing the defined benefit plan system.

Sincerely,

Air Canada  
Aker Solutions  
Alcoa  
Allegheny Energy  
ALLETE/Minnesota Power

Alliant Energy Corporation  
Aluminum Association  
AM General LLC  
Ameren Corporation  
American Benefits Council  
American Council of Life Insurers  
American Electric Power  
American Hospital Association  
American Institute of Certified Public Accountants  
American Public Power Association  
American Red Cross  
American Safety Razor Company  
American Society of Association Executives  
Aon Consulting  
ArcelorMittal  
ASKO, Inc.  
ASPPA College of Pension Actuaries  
Associated Industries of Massachusetts  
Association for Financial Professionals  
Augusta Medical Center  
Avaya Inc.  
Avista Corporation  
B. Braun Medical Inc.  
Black & Decker  
Black Hills Corporation  
Buck Consultants LLC  
Business Roundtable  
Butler Health System  
Campbell Soup Company  
CarMax, Inc.  
Central Vermont Public Service Corporation  
CH Energy Group Inc.  
CMS Energy  
Coca-Cola Enterprises Inc.  
Committee on Investment of Employee Benefit Assets  
Con-way Inc.  
Consolidated Edison, Inc.  
Constellation Energy  
Crawford & Company  
Crozer-Keystone Health Systems  
CUPA-HR  
Curtiss-Wright Corp.  
Deere & Company  
DTE Energy  
Duke Energy  
DuPont

Duro Bag Manufacturing Company  
Eastern Connecticut Health Network  
Edison Electric Institute  
Edison International  
Edw. C. Levy Co.  
El Paso Corporation  
Emerson  
Energy Future Holdings Corporation  
Entergy Corporation  
Exelon Corporation  
FedEx Corporation  
Financial Executives International's Committee on Benefits Finance  
FirstEnergy Corp.  
FMC Corporation  
Formica Corporation  
Fox Entertainment Group  
GAF Materials Corporation  
General Electric  
Great Plains Energy Incorporated  
Grove City College  
Hawaiian Electric Company, Inc.  
Hewitt Associates LLC  
Hillside Family of Agencies  
Hormel Foods Corporation  
Hospital for Special Surgery  
HR Policy Association  
HSBC-North America  
Ice Miller LLP  
Idaho Power  
Indianapolis Power & Light Company  
Ingram Industries Inc.  
International Paper  
International Textile Group  
JELD-WEN  
John Wiley & Sons, Inc.  
Johns Hopkins Health System Corporation  
Johns Hopkins University  
J.R. Simplot Company  
Kaleida Health  
Kansas City Power & Light  
King Kullen Grocery Co., Inc.  
Kraft Foods Inc.  
Levi Strauss & Co.  
Letts Industries  
Lockheed Martin Corporation  
Lord Corporation

Machine & Welding Supply Company  
Martin Memorial Health Systems  
Marathon Oil Corporation  
MassMutual Financial Group  
McGuireWoods  
MDU Resources Group  
Memorial Hermann  
Mercer  
Meridian Health  
MetroWest Chamber of Commerce (MA)  
Michigan Education Association  
Michigan Sugar Company  
Monsanto Company  
Mutual of Omaha  
National Association of Chain Drug Stores  
National Association of Manufacturers  
National Association of Wholesaler-Distributors  
National Council of Chain Restaurants  
National Education Association  
National Federation of Independent Business  
National Grid  
National Gypsum Company  
National Retail Federation  
Navistar  
NCR Corporation  
New York Methodist Hospital  
Newell Rubbermaid  
NewPage Corporation  
Newspaper Association of America  
NiSource Inc.  
Northeast Utilities  
NorthShore-LIJ  
NorthWestern Energy Corporation  
NSTAR  
Nuclear Energy Institute  
OfficeMax  
OGE Energy Corp.  
Otter Tail Corporation  
Owens-Illinois, Inc.  
Paul, Hastings, Janofsky & Walker LLP  
Peabody Energy  
Pepco Holdings, Inc.  
PG&E Corporation  
PNM Resources  
PolyOne Corporation  
Portland General Electric

PPG Industries Inc.  
Praxair Inc.  
Principal Financial Group  
Printing Industries of America  
Progress Energy  
Public Service Enterprise Group, Inc.  
QBE the Americas  
Qwest Communications International  
Rayonier Inc.  
Reckitt Benckiser  
Reed Elsevier Inc.  
Replacement Parts, Incorporated  
Reynolds American Inc.  
Rockwell Collins  
Rowan Companies, Inc.  
RR Donnelley  
Ryder Systems, Inc  
Saint Barnabas Health Care System  
Samsonite  
Sandvik, Inc.  
Savannah River Nuclear Solutions, LLC  
Sears Holdings Corporation  
Segal Company  
Shands HealthCare  
Sheet Metal Workers 292  
SI Group  
Smurfit-Stone Container Corporation  
Society for Human Resource Management  
Sony  
Southern Company  
SPI: The Plastics Industry Trade Association  
St. Ann's Community  
Stamford Hospital  
Supervalu Inc.  
TECO Energy, Inc.  
Tenneco Inc.  
Tesoro Corporation  
The Boy Scouts of America  
The Dow Chemical Company  
The Empire District Electric Company  
The ERISA Industry Committee  
The Goodyear Tire & Rubber Company  
The National Council of Farmer Cooperatives  
The Sherwin-Williams Company  
The Timken Company  
The Williams Companies, Inc.

TOC Management Services, Inc.  
Towers Perrin  
True Temper Sports, Inc.  
UniSource Energy Corporation  
United Illuminating Company  
United Technologies Corporation  
Unisys  
United Health Services  
Unity Health System  
U.S. Chamber of Commerce  
Vectren Corporation  
Veterans of Foreign Wars of the United States  
Veyance Technologies Inc.  
Vinson & Elkins  
Volkswagen Group of America, Inc.  
Watson Wyatt Worldwide  
Westar Energy  
Westfield Group  
Whirlpool Corporation  
Xcel Energy, Inc.  
Xerox Corp.

Cc: Mr. J. Mark Iwry  
Mr. W. Thomas Reeder