



AMERICAN ACADEMY *of* ACTUARIES

December 5, 2003

The Honorable William H. Frist
Senate Majority Leader
230 Capitol Building
Washington, DC 20510

Dear Mr. Majority Leader:

On behalf of the Pension Practice Council of the American Academy of Actuaries,¹ I again urge Congress to pass legislation that would fix the discount rate for calculating minimum pension contributions under federal law. Given the widespread agreement to replace the 30-year Treasury rate with a corporate bond rate, unless the current debate over relief from deficit reduction contributions can be resolved before Congress adjourns next week, the issues may need to be separated so that crucial action to replace the 30-year rate is not sacrificed.

In their budgets for next year, employers assumed Congress would fix the discount rate – not an unreasonable assumption given the ease with which legislation passed the House, as well as the Senate Finance and Senate Health, Education, Labor, and Pension committees. If the rate is not fixed before year-end, many employers may have to contribute significantly more to their pension plans than they budgeted, or more than is necessary based on current economic conditions.

As a result, employers will have to make difficult decisions regarding capital investments and employment levels that could be avoided if Congress addresses this issue now. Employers may also be more likely to freeze or terminate their defined benefit plans, which would have negative consequences for the Pension Benefit Guaranty Corporation and the retirement security of many of the nearly 40 million Americans who are covered by these plans.

We at the Academy are available to provide our resources to help you. Please feel free to contact Ron Gebhardtshauer, Senior Pension Fellow (202-785-7868/ Gebhardtshauer@actuary.org), if we can be of assistance.

Sincerely,

Kenneth A. Kent, MAAA, FSA, FCA
Vice President, Pension Practice Council
American Academy of Actuaries

Cc: Honorable J. Dennis Hastert
Members of the United States Senate

¹ The American Academy of Actuaries is the public policy organization for actuaries of all specialties within the United States. The Academy is nonpartisan and assists the public policy process through the presentation of clear actuarial analysis. The Academy also develops and upholds actuarial standards of conduct, qualifications and practice, and the Code of Professional Conduct for all actuaries practicing in the United States.