



AMERICAN ACADEMY *of* ACTUARIES

July 13, 1999

The Honorable William V. Roth, Jr.
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Re: Pension Disclosure Legislation

Dear Chairman Roth:

I am writing on behalf of the American Academy of Actuaries to comment on legislation you will introduce this week that is designed to improve the information pension plan participants receive from their employers when their traditional defined benefit plan is changed. As you know, there has been considerable controversy recently about cash balance and other pension plan conversions and disclosures to plan participants.

The Academy believes that your legislation would meet the main objective of providing information to employees that is meaningful, but does not create undue burdensome requirements on employers. We are pleased that your plan shares some of the ideas on pension disclosure that we provided you with in our June 30 letter.

As expressed in our June 30 letter, the Academy believes that certain basic principles should underlie any disclosure rules:

- Employees should have access to clear and understandable information about their retirement benefits.
- Employees should have timely information about changes to their retirement benefits.
- Participants should be informed as to whether and how a change to their retirement plan will likely affect them.
- Participants should have the opportunity to request relevant information about their specific situations.
- If employees are given a choice of plans, they should be provided the necessary information for comparing the choices and understanding the consequences of their decision.
- The employer-sponsored retirement system is voluntary and already subject to expensive and complex requirements. Thus, any new disclosure requirement should consider its administrative feasibility and costs.

We would be happy to discuss with you in detail our specific comments on your proposal. If you or your staff would like to discuss this issue further, I can be reached at 781/283-9272, or you may contact David Rivera, Assistant Director of Public Policy, at the Academy offices (202/785-7869).

Sincerely,

Kenneth A. Steiner, FSA, MAAA
Vice President
Pensions

cc:

Committee on Finance

Stan Fendley, Minority Tax Counsel, Committee on Finance

William Sweetnam, Majority Tax Counsel, Committee on Finance

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 regularly prepares testimony for Congress, provides information to federal elected officials, regulators and congressional staff, comments on proposed federal regulations, and works closely with state officials on issues related to insurance.