AMERICAN ACADEMY *of* ACTUARIES

May 20, 2004

The Honorable Tom Harkin
731 Hart Senate Office Building
Washington, DC 20510

Dear Senator Harkin:

I am writing on behalf of the American Academy of Actuaries'[1] Pension Committee to thank you for leading the effort to help plan participants understand the potential impact on benefits of electing a lump sum. We agree that the issue is of significant importance, and as such, we would appreciate the opportunity to discuss some areas of concern with respect to the "relative value" regulations issued by Treasury in December 2003.

We most definitely understand and applaud the principle of providing more meaningful information to plan participants. However, we are concerned that the regulation, as drafted, expands the information provided to employees in a way that is not necessarily meaningful – and in many cases, may be sufficiently confusing to cause participants to make poor choices. In particular, understanding the value of an annuity compared to a lump sum is difficult, and for plans that exclude the value of early retirement benefits in lump sums, the decision is a critical one for an employee.

Some pension rights advocates, who have commented on the regulations, have also suggested a more targeted and simplified approach, due to the burden placed on plans as well as the potential confusion that such disclosure would cause for participants and their beneficiaries. In addition, the complexity of the regulation and the unavailability of answers to questions raised about the regulation have made complete compliance by July 1 administratively impractical for many employers.

We are asking Treasury for an immediate delay in the timing of these regulations, and we hope that you would concur with this request, as we understand that they may be reluctant to postpone regulations that were requested by Congress. An interim alternative could be a simplified disclosure that resolves the concerns raised in your January 28, 2000 letter.

This alternative approach could be implemented by requiring a disclosure of the value of any early retirement benefit that is not included in a lump sum benefit. This disclosure could be similar to: "Your lump sum option would provide you with $XX,XXX. The lump sum benefit is XX% of the present value of your early retirement benefit." Using an alternative such as this would allow the IRS and the pension community time to resolve the communication effectiveness and administrative issues created by the regulation.

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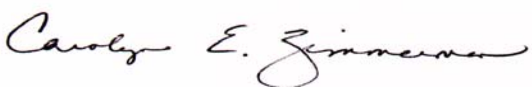
[1] The American Academy of Actuaries is the public policy organization for actuaries of all specialties within the United States. In addition to setting qualification standards and standards of actuarial practice, a major purpose of the Academy is to act as the public information organization for the profession. 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 and state elected officials, regulators and congressional staff, comments on proposed federal and state regulations and legislation, and works closely with state officials on issues related to insurance. 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.

We would be pleased to discuss this with you; please contact Heather Jerbi, the Academy's pension policy analyst at (202) 785-7869 or Jerbi@actuary.org if you have any questions or would like to discuss this further.

Sincerely,



Carolyn E. Zimmerman, FSA, MAAA
Chairperson, Pension Committee
American Academy of Actuaries

cc: Mr. William Sweetnam
Ms. Carol Gold