

NEWS RELEASE



American Society of Pension Professionals & Actuaries

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Congressional Leaders Urge Paulson to Adopt ASPPA Pension Measures

Washington, D.C. — As an October 1, 2008, Pension Protection Act (PPA) deadline approaches, congressional leaders from both sides of the aisle urged Treasury Secretary Henry M. Paulson, Jr. to permit small pension plans with “end-of-year” valuation dates to use December 31, 2007 valuation results to calculate the final funded status for 2008 benefit restriction purposes. The American Society of Pension Professionals & Actuaries (ASPPA) urged Congress to pass technical corrections to PPA that would alleviate this problem.

[The letter](#), signed by House Ways and Means Committee Chairman Charles Rangel (D-NY), Senate Finance Committee Chairman Max Baucus (D-MT), and ranking members Jim McCrery (R-LA) and Charles Grassley (R-IA), respectively, makes it clear that Congress intended the special rule to apply to small plans with end-of-year valuation dates. The letter points out that technical corrections bills passed by both Houses provide authority to write the rules, and Treasury should act to implement Congressional intent.

Leaders assured Paulson that Congress continues to work toward final passage and enactment before this session ends. But, they asked for assistance in implementing Section 436 of the Internal Revenue Code that applies to certain small pension plans. They wrote that without modification of the proposed rules, this section of current law would result in hardship for plans that use an end-of-year valuation date.

Judy A. Miller, ASPPA chief of actuarial issues and director of retirement policy, said the letter is a welcome step toward assuring small plans can comply with the PPA. “We appreciate that the Senate and House tax-writing committee leaders recognized the hardship facing small plans and wrote Treasury on behalf of plan sponsors and participants. The transition relief published by the Service last week was a big step forward, but it fell short of what is needed to make PPA rules work for plans with end-of-year valuations,” Miller said.

Transition relief from an IRS publication released September 18 would permit plans to estimate funded status based on the December 31, 2007 results, but would permit reliance on the estimate only if final calculations do not produce materially different results. Without the modification sought by leaders of the tax committees, small plans still could be unable to use an end-of-year valuation date for 2008, but would not know with certainty until after the end of the 2008 year.

The Pension Protection Act of 2006 (PPA) requires plan to maintain a funding level of at least 80%, or else restrict lump sum payment of benefits and benefit improvements. If the funded status of a plan falls below 60%, the plan must be frozen – that is, no further benefits can accrue – until funding improves. These rules first apply to plans in 2008. This has posed a serious problem for small plans with end-of-year valuations because without a modification to the current rules, these plans would not be able to calculate the final funded status for 2008 until after December 31, 2008.

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ASPPA is a national organization of more than 6,400 retirement plan professionals who provide consulting and administrative services for qualified retirement plans covering millions of American workers. ASPPA members are retirement professionals of all disciplines including consultants, administrators, actuaries, accountants, and attorneys. The large and broad-based membership gives it unusual insight into current practical problems with the Employee Retirement Income Security Act and qualified retirement plans with a particular focus on the issues faced by small- to medium-sized employers. ASPPA membership is diverse and united by a common dedication to the private retirement plan system.

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