



## **ASPA**

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### **FOR IMMEDIATE RELEASE**

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### **ASPA URGES TREASURY TO FINALIZE**

#### **PROPOSED CASH BALANCE PLAN REGULATIONS**

**April 10, 2003**—(*Washington, DC*)-- At a hearing yesterday before Treasury, ASPA Executive Director, Brian H. Graff, Esq., encouraged officials to finalize the proposed regulations governing cash balance plans. According to Graff, the regulations will lead to a significant number of new defined benefit plans, particularly among small and mid-sized employers, thereby providing defined benefits to millions of American workers who have never before had such benefits.

Unlike 401(k) plan benefits, defined benefit pension plans provide a guaranteed monthly retirement benefit for employees. While the level of benefits from a 401(k) plan and how long they can continue to be paid is unknown to the retiree, the benefits provided under a defined benefit plan continue for the life of the worker and cannot be exhausted. Graff cited recent statistics showing that 75 percent of our private workforce is not covered by a defined benefit plan. This lack of defined benefit plan coverage is even more acute among small business workers—demonstrated by the fact that less than 2 percent of the 40 million workers who are employed at firms with less than 100 employees are covered by such a plan. “Without increased defined benefit plan coverage there is a greater risk that many Americans will outlive their retirement savings, especially as Americans live longer than ever before”, stated Graff.

Faced with consistent 401(k) plan account losses, a cash balance plan funded with employer contributions and with a guaranteed rate of return is an attractive option in today’s market. Any worker covered only by a 401(k) plan would welcome the prospect of coverage under an employer-funded cash balance plan that provides more

certainty. According to Graff, “this is a very real issue for millions of American workers relying solely on defined contribution vehicles for retirement savings who have been forced to either delay retirement or seriously reevaluate their retirement standard of living expectations. “

It is ASPA’s position that the best hope for promoting new defined benefit plan coverage is cash balance or similar hybrid plans. Cash balance plans provide employers with more predictable funding requirements, and, because of their ‘account-based’ nature, they are often more appreciated by employees. There are thousands of employers who, in light of current developments in the stock market, might be interested in adopting a cash balance plan for their workers. However, there are a number of significant legal uncertainties associated with cash balance plans because of the way benefits are accrued and distributed as compared to traditional defined benefit pension plans. The proposed regulations, in part, address these legal issues. In his testimony, Graff emphasized that until all of the important legal uncertainties surrounding cash balance plans are resolved in a clear and unambiguous way, many companies will refrain from offering these valuable defined benefits to employees.

According to Graff, “Any legislative or regulatory policy must keep in mind the vital role defined benefit plans play in providing working Americans with a more secure retirement. ASPA strongly believes the intent and spirit of the proposed regulations is wholly consistent with this critical objective. Account-based defined benefit plans, like cash balance plans, constitute vital and powerful tools for building a stronger and more effective private retirement system. “

ASPA is a national organization of retirement plan professionals dedicated to the preservation and enhancement of the private pension system in the United States. ASPA offers education and professional credentials for actuaries (FSPA, MSPA), pension consultants (CPC), pension administrators (QPA), 401(k) administrators (QKA), and other benefits professionals (APM). Its 5,000 members provide consulting and administrative support to over half of the private retirement plans in the country. For more information about ASPA, visit our Web site at [www.aspa.org](http://www.aspa.org). You can also contact ASPA’s government affairs department by calling (703) 516-9300 or by faxing an inquiry to (703) 516-9308.

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