



## **ASPA**

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### **FOR IMMEDIATE RELEASE**

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#### **ASPA CALLS FOR A MORE COMPLETE REVIEW OF DEFINED BENEFIT PLAN FUNDING RULES IN RESPONSE TO BUSH ADMINISTRATION PROPOSALS FOR CHANGE**

**July 15, 2003**—(*Arlington, VA*)—In response to the Bush Administration’s proposals to change some of the rules for single-employer defined benefit plans, ASPA (the American Society of Pension Actuaries), submitted a statement for the record today to the Committee on Ways & Means and the Committee on Education and the Workforce. According to Brian H. Graff, Esq., Executive Director of ASPA, “ASPA welcomes the Administration’s willingness to replace the 30-year Treasury bond rate with an interest rate based on a corporate bond rate. However, ASPA strongly believes that a significant change to the funding rules, such as the yield curve proposal, should only be considered in the context of a complete review and possible additional revisions of the overall funding rules.”

The most significant of the Administration’s proposals is one that would replace the 30-year Treasury bond rate as an interest rate benchmark for purposes of calculating the deficit reduction contribution and lump sum distributions with a corporate bond interest rate based on a yield curve. According to Graff, “It may very well be that a yield curve approach is a reasonable one to replacing the 30-year rate; however, there are other aspects of the funding rules that could also be more refined that may prove to be more theoretically correct.” While the Administration proposes enactment of their yield curve proposal as a first step in funding reform, ASPA believes a yield curve should not be instituted before consideration of other possible changes to the funding rules. For example, mortality rules could be updated and it may be appropriate to allow plans to use mortality tables that are better tailored to the specific demographics of the plan.

Additionally, rules allowing plan sponsors to better fund plans in advance when they have the resources need to be considered.

Furthermore, it is ASPA's view that a critically important aspect of any overall review of the funding rules must also include consideration of the potential impact on defined benefit plan coverage. Defined Benefit plan coverage in this nation is threatened, as indicated by the fact that 75% of our nation's workforce is not covered by a defined benefit plan. Some of these workers at least have been covered by a defined contribution plan like a 401(k). But given recent stock market declines, there is a strong retirement policy justification for encouraging defined benefit plan coverage.

"Consequently, any defined benefit plan funding reform must carefully balance potentially expected burdens against perceived benefits. ASPA believes that any proposed increased burden on defined benefit plans must be justified by a compelling policy rationale," stated Graff.

In conclusion, ASPA has proposed that a 4-year weighted average corporate bond rate be enacted as a substitute for the 30-year Treasury bond rate for several years until a formal study can be conducted to develop proposals for comprehensive funding reform. ASPA has suggested that a joint Administration/Congressional commission be formed, with private sector input, to study the issue. ASPA has also recommended that this interim measure be based on several provisions included in the Portman-Cardin pension reform legislation (H.R. 1776).

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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