ERIC

THE ERISA INDUSTRY COMMITTEE

Advocating the Employee Benefits Interest & Compensation of America's Largest Employers

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ERIC TALKING POINTS – ADMINISTRATION PROPOSALS REGARDING DISCLOSURE AND BENEFITS CUT-OFF

Singularly and as a group, these proposals will cause harm to plan sponsors and plan participants and will encourage employers to exit the defined benefit system.

- Regarding the proposal that all plans publish termination liability calculations:
  - Such calculations will lead people to believe that plans will terminate when they are not terminating.
  - When the plan doesn't terminate, after a period of time, people will discount this information -- as well as important information that is provided in the SAR and elsewhere.
  - Such calculations provide a false impression to analysts about the ability of the company to defease its pension liabilities.
  - If companies have to meet a termination liability for public relations purposes they will respond with rational business decisions – reducing the employment base, freezing plans, etc. This proposal will be a major incentive to decrease domestic employment.

- Regarding the proposal that the PBGC release 4010 data:
  - The $50 million trigger is merely a signal to the PBGC to look at the plan -- it is not an indication of actual funded status. Thus to publicize the data would mischaracterize and mislead plan participants and the public.
  - The $50 million trigger is inappropriate. It is irrational for a large plan and does not even apply to a small plan.
  - When we agreed to this provision in 1994 it was made clear to us and to the Congress that this data -- collected to enable the PBGC to focus its oversight in appropriate places -- would never, never be made public.

- Regarding the cut-off of benefits:
  - Such measures should (1) protect participants rather than merely shield the PBGC from additional liability; (2) target actions that drive down a plan's funded status and not affect the normal operation of the plan; and (3) have a predictable impact. The proposal to cease normal benefit accruals when a plan's funded status falls below an arbitrary level, for example, fails all three of these criteria.

We fail to see how these proposals will encourage employers sponsor or even maintain defined benefit plans. Nor do we see how they will protect the PBGC since the PBGC's premium base will be further reduced. We are also concerned with a process whereby proposals seem to be coming out piecemeal with no understanding of their impact on the overall system.

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