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Issue: # 2009-07

March 3, 2009

Summary of Issues Presented to Senate Finance Committee From National Actuarial Consulting Firms

Harbridge would like to make you aware of a recent letter sent to the Senate Finance Committee from a group of nationally known actuarial consulting firms regarding their collective views on the impact the current financial market crisis is having on the funding of defined benefit pension plans. As you know, some funding relief was provided within the Worker, Retiree and Employer Recovery Act of 2008 ([see Harbridge Alert](#)). We would like to summarize the specific issues addressed within that letter in regard to the need for additional funding relief. Click [here to view the letter](#).

- The issue of whether plan sponsors will be able to address funding issues through the use of a credit balance (prefunding or carryover balances) which would reduce the need for large cash contributions, is discussed. Some items of concern the letter's authors raise regarding the sufficiency of credit balances to address the funding crisis are as follows:
 - Reduction in value of credit balances from beginning of 2008 since they are required to be reduced by the actual (negative) investment return during 2008.
 - Mandatory waiver of credit balances to avoid benefit restrictions.
 - Much larger amortization of 2008 loss will quickly exhaust any credit balance.
 - Credit balances exist due to making larger contributions than required, which was likely part of a budget plan for less contributions in the following years.
- The issue of benefit restrictions, in particular those related to the partial or full restriction of lump sum payouts is discussed with regard to the negative impact on plan participants who may have been relying on the receipt of a lump sum.

There are proposals offered in the letter, as well as an invitation to the Committee to discuss other proposals developed. The main focus of the proposals is short term relief to reduce the unmanageable financial burden and the imposition of benefit restrictions that unfairly burden plan participants.

Please contact your Harbridge Consultant with any questions (via email above or phone).

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