

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
Government Affairs

1615 H STREET, N.W.
WASHINGTON, D.C. 20062-2000
202/463-5310

January 21, 2004

TO THE MEMBERS OF THE UNITED STATES SENATE:

On behalf of the U.S. Chamber of Commerce, the world's largest business federation with over three million businesses of every size, sector and region, we urge you to pass H.R. 3108, which replaces the defunct 30-year Treasury rate used for calculating pension liabilities with a corporate bond rate, as quickly as possible. The temporary fix for the 30-year Treasury rate expired on December 31, 2003, and since January 1, 2004, employers have been faced with extraordinary pension liabilities based upon an obsolete rate. Without immediate action on this issue, the defined benefit pension system will remain in a state of crisis.

A temporary 30-year Treasury rate fix has already been agreed upon by all parties. Even with retroactive application of future legislation, there will be irreparable negative consequences for some defined benefit plans and the workers that they cover. Two separate consulting firms have found that 20-39% of employers either have frozen or are planning to freeze their defined benefit plans. Furthermore, employers and workers are negatively impacted by the failure to pass a fix because companies must set aside substantial amounts of money unnecessarily in order to meet their pension obligations using the obsolete 30-year Treasury rate. This is capital that could be used for investment, wage increases, job creation or other business enhancements.

Congress must move quickly to provide plan sponsors with an appropriate interest rate assumption to prevent further detriment to the defined benefit plan system. We urge you to resolve this issue as soon as possible by passing H.R. 3108 and moving the bill to conference with the House.

Thank you for your consideration of this important matter.

Sincerely,



R. Bruce Josten