United States Senate Committee on Finance

For Immediate Release
Thursday, June 23, 2005

Grassley, Baucus Seek Pension Under-funding Details from 36 Companies

WASHINGTON – Sen. Chuck Grassley, chairman of the Finance Committee, and Sen. Max Baucus, ranking member, today sent letters to 36 companies requesting detailed information regarding their pension plans. These requests are part of an ongoing effort by the senators to understand the scope of pension underfunding and to assist them in crafting comprehensive pension reform legislation that will help to prevent dramatic underfunding in the future.

"I've been shocked by some of the problems we've uncovered in pension plans," Grassley said. "We're finding problems in every industry and every part of the country. Some of these companies are making big profits, but don't appear to be putting enough money in their plan. Other companies in ailing industries may not have the money to honor the promises they've already made. Unfortunately, we've been able to get only a 30,000-foot view of some of the problems. By being able to get more accurate information about what's going on in some of the plans that may have problems, we'll be able to do a better job of reforming our pension laws."

Baucus said, "We are requesting information going back to 1999 so we can see the impact of interest rate and market declines on a variety of plans under the existing funding rules. We have heard a lot about this perfect storm – now we want to review the results."

As part of their effort to comprehensively reform the nation's pension laws, Grassley and Baucus have asked their staff to review available information on pension plans, including Internal Revenue Service disclosures, Pension Benefit Guaranty Corporation information, and companies' Securities and Exchange Commission 10-K filings. Unfortunately, most of the information available to Congress and the public is either outdated and stale or incomplete in scope and detail. At a recent Finance Committee hearing to examine the United Airlines' pension default, the committee heard testimony that the pension laws often mask severe pension problems until it is too late.

As a result, Grassley and Baucus have identified 36 companies, which represent a broad range of the American economy, to obtain more complete information on pension plan funding. The companies were identified as having the nation's most significantly underfunded private pension plans. Factors used to identify these companies included the size of the pension plan, plan funding levels based on available information, and the financial health of the sponsoring employer.

Government data have indicated that pension plans nationwide may be underfunded by $450 billion. That information is not up-to-date, however, and instead reflects projections based on PBGC data for the year 2003. While more updated information is not available, a recent announcement by the PBGC suggests that pension underfunding levels continue to get worse. On June 7, the PBGC reported that the amount of underfunding at companies required to file reports on their underfunding increased to $353 billion in 2004 from $279 billion in 2003. While precise information on the funding levels of the 36 companies to which Grassley and Baucus have written is not available, the committee's review of available information suggests that the combined pension deficit at these 36 companies alone is between $120 billion and $160 billion.

Baucus said, "No two plans or plan sponsors are the same. For example, some employers receiving letters actually built up a credit balance during the period we want to analyze. Others lived off of credit balances – saved their cash for other purposes. Looking at the experience of a variety of plans and employers will be invaluable in our efforts to reform the funding rules to better protect employees' benefits. I encourage companies receiving our inquiry to provide the information as quickly as possible so we can move forward with this critical work of improving retirement security."

Grassley and Baucus declined to release the names of the 36 companies today. The text of their letter follows.

June 23, 2005

Dear ______:

The Senate Finance Committee is currently considering various reforms to our pension laws. In connection with the Committee's review of those laws, the Committee requests the following information with respect to all single-employer defined benefit pension plans sponsored by your company and any affiliated companies.

1. Please provide the following information for each of the plan years 1999 – 2004 (inclusive) for all plans with 1,000 or more participants:

a. The plan's current liability (RPA '94) and the interest rate used to determine the liability.
b. The market value of assets and the actuarial value of assets.
c. The plan's unfunded current liability.
d. Minimum contribution required for the year before reduction for any credit balance.
e. The additional funding charge, if any, included in d.
f. The amount of cash contribution for the year.
g. The amount of credit balance used for the year.
h. The amount of credit balance as of the end of the year.
i. The plan's investments held at the end of the year.
j. Whether the plan paid a variable rate premium to the PBGC and if so, how much.
k. Whether the plan was required to provide a notice to participants pursuant to section 4011 of ERISA for that year.
l. Whether the plan made a transfer pursuant to section 420 of the Internal Revenue Code.
m. Whether an amendment increasing benefits became effective during the year and if so, the increase in current liability resulting from the amendment. Also the amount of any amortization base established as a result of the amendment.
n. The net rate of return on assets during the year.
o. The pre- and post-retirement rates of investment return for the actuarial liability calculation.
p. Assumed rates of retirement.
q. If there was a related SERP, the number of participants accruing benefits under the SERP for the

year and the amount transferred to a trust or any other arrangement (including insurance premiums) to fund the SERP.

2. Please also provide the following general information about the plan.

a. Does the plan provide for payment of unreduced accrued benefits before normal retirement age? If so, at what age and service combination?
b. Does the plan provide for shutdown benefits? If so, please describe the benefit and any age or service requirements.
c. Does the plan provide lump sums? If so, what interest rate (if any other than the interest rate required by section 417(e) of the Code) does the plan uses to determine the lump sum.
d. Has the plan frozen participation or accruals? If so, when? Describe any new plan or contribution enhancements to an existing plan that were intended to replace frozen benefits.
e. Has the plan been converted to a hybrid plan and, if so, what transition rules applied?
3. Please describe any nonqualified deferred compensation arrangements maintained for key persons and the amount transferred to a rabbi trust or other arrangement to fund these benefits for each of the years 1999 through 2004.

We request that you provide us with this information by July 1, 2005.

Sincerely,

Charles E. Grassley	Max Baucus
Chairman	Ranking Member