

May 8, 2009

The Honorable Timothy F. Geithner
Secretary of the Treasury
Main Treasury Building, Room 3330
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Geithner:

The undersigned organizations, representing thousands of plan sponsors that provide retirement security benefits to tens of millions of workers, are writing to you today with respect to the funding crisis confronting employers and nonprofit organizations nationwide.

First, we appreciate the very helpful guidance that has been issued by the Treasury since this crisis began, including the guidance contained in the recent IRS employee plans newsletter. That guidance stated the following:

- (1) the funding regulations will not be effective for plan years before they are issued,
- (2) for plan years beginning before the effective date of the regulations, use of the full yield curve for any “applicable month” will be permitted, and
- (3) automatic IRS approval will be granted with respect to interest rate elections for plan years beginning in 2009.

This guidance permits plans to elect to use the full yield curve for any applicable month with respect to any pre-effective date plan year. This is extremely helpful for companies trying to preserve jobs and benefits in today’s challenging economic climate.

But more challenges lie ahead. The relief described above is a major step forward for calendar year plans with respect to the 2009 plan year. But many plans with non-calendar year plan years may face huge funding burdens for their plan years beginning in 2009; the applicable month guidance may or may not help them, depending on interest rate movements in the coming months. And if the market does not fully recover by the end of this year, plans across the country could face 2010 funding obligations that are far greater than the obligations for 2008 or 2009. All of this means that we have much work ahead of us in the very near future to address critical economic issues. If the market does not recover and credit markets remain tight, many companies facing large funding obligations would be forced to lay off workers and reduce benefits, instead of investing in their business and helping the economic recovery.

There are critical temporary steps that the Department of Treasury could take to provide much needed help. Specifically, we are asking Treasury to consider making two regulatory changes.

First, it is very important that companies be permitted to make new interest rate elections for plan years beginning in 2010. In order to make it through 2009, many companies feel compelled to elect the full yield curve for 2009. Without such an election, contributions for 2009 would be unaffordable for such companies. However, those same companies may not be able to make business plans on an ongoing basis if they must contend with the unpredictability of the

full yield curve. So for business reasons, it is critical that companies be permitted to elect the segment rates for 2010 and thereafter. In fact, based on discussions with several large companies, it appears that a significant percentage of plan sponsors may be so concerned about the possibility of being locked into using the full yield curve that they are considering not electing it for 2009, despite the great short-term advantages of doing so.

In short, there is a great need for companies using the full yield curve for 2009 to be able to elect to use the segment rates for 2010. In addition, permitting such elections is appropriate. Companies should not be bound by elections made before the regulations are finalized. Certainly, the final regulations will be different from the proposed regulations, which means that companies should be entitled to reevaluate their mode of compliance.

Our second regulatory request is that the funding regulations should not be effective until plan years beginning after December 31, 2009. If final funding regulations are issued soon and are effective for plan years beginning after they are issued, plans with plan years beginning July 1 or October 1, for example, could lose the right to use a reasonable interpretation of the law very soon. Such plans would then have only one year of “reasonable interpretation”, instead of the two years given calendar year plans.

Also, if the funding regulations are effective for some plan years starting in 2009, but not other years beginning in 2009, new administrative challenges and possibilities for errors could be created. For example, 2009 Forms 5500 would have to be reviewed based on different funding standards depending on the plan year at issue; instructions for such Forms would also have to vary. It would be simpler to follow a uniform rule for plan years beginning in the same calendar year. This would also provide many plan sponsors with more time to adjust to the final regulations, especially with respect to the very difficult benefit restriction issues.

As we watch interest rate movements in the next few months, it may become clear that non-calendar year plans need significant additional help, especially since, as noted above, non-calendar year plans may not benefit nearly as much from the applicable month guidance. But at a minimum, at this point, we ask that the funding regulations not be effective until plan years beginning after December 31, 2009. That gives non-calendar year plans another year of “reasonable interpretation”, which could be helpful.

As market conditions evolve in the near future, it may also become clear that additional flexibility is needed with respect to the application of the funding regulations. We hope to be able to continue our very constructive dialogue with you as we all try to address the critical issues facing the defined benefit plan system.

Sincerely,

Air Canada
Aker Solutions
Alcoa
Allegheny Energy
ALLETE/Minnesota Power

Alliant Energy Corporation
Aluminum Association
AM General LLC
Ameren Corporation
American Benefits Council
American Council of Life Insurers
American Electric Power
American Hospital Association
American Institute of Certified Public Accountants
American Public Power Association
American Red Cross
American Safety Razor Company
American Society of Association Executives
Aon Consulting
ArcelorMittal
ASKO, Inc.
ASPPA College of Pension Actuaries
Associated Industries of Massachusetts
Association for Financial Professionals
Augusta Medical Center
Avaya Inc.
Avista Corporation
B. Braun Medical Inc.
Black & Decker
Black Hills Corporation
Buck Consultants LLC
Business Roundtable
Butler Health System
Campbell Soup Company
CarMax, Inc.
Central Vermont Public Service Corporation
CH Energy Group Inc.
CMS Energy
Coca-Cola Enterprises Inc.
Committee on Investment of Employee Benefit Assets
Con-way Inc.
Consolidated Edison, Inc.
Constellation Energy
Crawford & Company
Crozer-Keystone Health Systems
CUPA-HR
Curtiss-Wright Corp.
Deere & Company
DTE Energy
Duke Energy
DuPont

Duro Bag Manufacturing Company
Eastern Connecticut Health Network
Edison Electric Institute
Edison International
Edw. C. Levy Co.
El Paso Corporation
Emerson
Energy Future Holdings Corporation
Entergy Corporation
Exelon Corporation
FedEx Corporation
Financial Executives International's Committee on Benefits Finance
FirstEnergy Corp.
FMC Corporation
Formica Corporation
Fox Entertainment Group
GAF Materials Corporation
General Electric
Great Plains Energy Incorporated
Grove City College
Hawaiian Electric Company, Inc.
Hewitt Associates LLC
Hillside Family of Agencies
Hormel Foods Corporation
Hospital for Special Surgery
HR Policy Association
HSBC-North America
Ice Miller LLP
Idaho Power
Indianapolis Power & Light Company
Ingram Industries Inc.
International Paper
International Textile Group
JELD-WEN
John Wiley & Sons, Inc.
Johns Hopkins Health System Corporation
Johns Hopkins University
J.R. Simplot Company
Kaleida Health
Kansas City Power & Light
King Kullen Grocery Co., Inc.
Kraft Foods Inc.
Levi Strauss & Co.
Letts Industries
Lockheed Martin Corporation
Lord Corporation

Machine & Welding Supply Company
Martin Memorial Health Systems
Marathon Oil Corporation
MassMutual Financial Group
McGuireWoods
MDU Resources Group
Memorial Hermann
Mercer
Meridian Health
MetroWest Chamber of Commerce (MA)
Michigan Education Association
Michigan Sugar Company
Monsanto Company
Mutual of Omaha
National Association of Chain Drug Stores
National Association of Manufacturers
National Association of Wholesaler-Distributors
National Council of Chain Restaurants
National Education Association
National Federation of Independent Business
National Grid
National Gypsum Company
National Retail Federation
Navistar
NCR Corporation
New York Methodist Hospital
Newell Rubbermaid
NewPage Corporation
Newspaper Association of America
NiSource Inc.
Northeast Utilities
NorthShore-LIJ
NorthWestern Energy Corporation
NSTAR
Nuclear Energy Institute
OfficeMax
OGE Energy Corp.
Otter Tail Corporation
Owens-Illinois, Inc.
Paul, Hastings, Janofsky & Walker LLP
Peabody Energy
Pepco Holdings, Inc.
PG&E Corporation
PNM Resources
PolyOne Corporation
Portland General Electric

PPG Industries Inc.
Praxair Inc.
Principal Financial Group
Printing Industries of America
Progress Energy
Public Service Enterprise Group, Inc.
QBE the Americas
Qwest Communications International
Rayonier Inc.
Reckitt Benckiser
Reed Elsevier Inc.
Replacement Parts, Incorporated
Reynolds American Inc.
Rockwell Collins
Rowan Companies, Inc.
RR Donnelley
Ryder Systems, Inc
Saint Barnabas Health Care System
Samsonite
Sandvik, Inc.
Savannah River Nuclear Solutions, LLC
Sears Holdings Corporation
Segal Company
Shands HealthCare
Sheet Metal Workers 292
SI Group
Smurfit-Stone Container Corporation
Society for Human Resource Management
Sony
Southern Company
SPI: The Plastics Industry Trade Association
St. Ann's Community
Stamford Hospital
Supervalu Inc.
TECO Energy, Inc.
Tenneco Inc.
Tesoro Corporation
The Boy Scouts of America
The Dow Chemical Company
The Empire District Electric Company
The ERISA Industry Committee
The Goodyear Tire & Rubber Company
The National Council of Farmer Cooperatives
The Sherwin-Williams Company
The Timken Company
The Williams Companies, Inc.

TOC Management Services, Inc.
Towers Perrin
True Temper Sports, Inc.
UniSource Energy Corporation
United Illuminating Company
United Technologies Corporation
Unisys
United Health Services
Unity Health System
U.S. Chamber of Commerce
Vectren Corporation
Veterans of Foreign Wars of the United States
Veyance Technologies Inc.
Vinson & Elkins
Volkswagen Group of America, Inc.
Watson Wyatt Worldwide
Westar Energy
Westfield Group
Whirlpool Corporation
Xcel Energy, Inc.
Xerox Corp.

Cc: Mr. J. Mark Iwry
Mr. W. Thomas Reeder