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Pensions Bill Moving Slowly in Congress

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WASHINGTON (AP) -- Nearly everyone - business, labor, Republicans, Democrats - agrees that something must be done to sustain company-based pension plans and make sure that the federal agency insuring them doesn't become a financial basket case. Getting Congress to agree on legislation is another matter.

The Senate, on the verge of passing a bill several weeks ago, has since stalled, unable to come to terms with several lawmakers, backed by business and labor groups, who oppose requiring companies with poor credit ratings to pay more into their pension funds.

Proposals to change the annual premium that companies pay into the federal fund that insures benefits - now $19 per participant - could mean a premium as high as $46.75.

Those involved in the effort to shore up the funds say they are confident a deal can be reached this year. "It will come up. It's too important for it not to," said Sen. Barbara Mikulski, D-Md., who, with Sen. Mike DeWine, R-Ohio, is trying to change the credit rating provision.

The House could take up its version of pension reform in November. That bill might be expanded to include other retirement issues, although President Bush's ambitious if ill-received proposals to overhaul the Social Security system probably will not be among them.

The pension bills have two basic goals. The first is requiring companies with traditional defined-benefit pension plans to meet their funding obligations. The second is ensuring the future solvency of the Pension Benefit Guaranty Corp., the federal agency that insures the benefits of some 44 million people in 31,000 pension plans.

The goals can be contradictory if financially shaky companies, forced to pay more into underfunded plans, go bankrupt or drop their pension programs. Such a move would shift the benefits burden to the agency, which went from running a surplus in 2001 to piling up liabilities of more than $23 billion in 2004.

Those unhappy with the proposed legislative remedies point to recent analyses by the agency and the Congressional Budget Office that conclude that the agency's liabilities will only get worse over the next decade under the House and Senate bills and a White House plan.

The chairman of the House Education and the Workforce Committee, Rep. John Boehner, R-Ohio, wrote recently for National Review Online that Congress must act to avoid something similar to the savings-and-loan crisis of the 1980s that cost taxpayers $120 billion.

The PBGC now operates on premiums and investments, but it could be forced to turn to the Treasury for a bailout if its deficits grow too large.

Current pension rules, under which some companies have gone years without contributing to their plans, "represent some of the most irresponsible public policy I've seen during my time in Congress," Boehner said.

There are incentives for Congress to act.

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Education, Labor and Pensions Committee, required to come up with new savings and revenue as part of a giant budget bill, voted last week to raise the annual premium that companies must pay the PBGC from to $46.75 per participant.

Committee members also agreed to require bankrupt companies that terminate their plans to pay $3,750 per participant over three years after the companies emerge from bankruptcy.

"None of us wants this premium ultimately to be enacted into law," said the committee chairman, Sen. Mike Enzi, R-Wyo. He pointed out that companies could escape this painful levy if comprehensive pension reform is adopted.

Under the separate pension reform bills in the House and Senate, the annual premium would go up to $30.

The PBGC will soon announce financial outlook figures. With bankruptcies and possible plan terminations in the airline and auto parts industries, the news is not expected to be good.

A report predicting bigger deficits, said James Klein, president of The American Benefits Council, a group representing companies with pension plans, "is an event that tends to spur more action by the Congress."

Klein said pension legislation was also important because it would clarify the legal status of cash-balance and other "hybrid" plans, reform the rules for multi-employer plans and, in the Senate bill, provide longtime relief to financially weak airline companies.

A congressional strategy that focuses on closing PBGC's debts without devising rules that encourage employers to remain in the system "is doomed to result in more plans being terminated or frozen," Klein wrote in a letter to senators.

Shaun O'Brien, assistant director in the AFL-CIO's legislative office, said labor too wants to see legislation go forward as long as there is balance between protecting the PBGC and keeping employers to their promises.

Current proposals are "focused on what to do when funds become underfunded, and how hard do you hit them. We want to make sure they never get in that situation," he said.

On the Net:

Pension Benefit Guaranty Corp.: http://www.pbgc.gov/

American Benefits Council: http://www.americanbenefitscouncil.org/