- Autos

Editorial

The Pension Piñata

- E-Mail
- Print
- Save

Published: August 13, 2006

There are a lot of goodies in the pension reform bill that Congress recently sent to the White House for President Bush's signature. But it is important not to confuse something-for-everyone with balance. The bill is an almost perfect example of Congress's inability to do anything good without tacking on some bad accommodation for special interests.

For instance, the bill sets reasonably strict funding requirements and higher insurance premiums for traditional corporate pensions. That's good. The most important mission of pension reform is to protect employees from being shortchanged and taxpayers from having to foot the bill for pension defaults. But in response to intense lobbying, Congress also carved out some big exceptions for ailing airlines, notably Northwest and Delta. That opens the door for other companies and industries to demand special treatment. And by creating the perception of an uneven playing field, the bill could provide yet another excuse for companies that want to get out of the pension business completely.

While voters may imagine that "pension reform" involves doing something to stop the disappearance of traditional pension plans, it means no such thing. Healthy companies are increasingly curtailing their pensions, having concluded that they are not needed to attract or retain suitable employees. There is probably little Congress could do to stop the trend, even if it wanted to.

The bill did begin to tackle a more solvable problem: how to make sure that increasingly popular 401(k) plans cover more people. But again, each step forward seems to have been linked to a step back.

A set of groundbreaking provisions clears the way for employers to automatically enroll employees in their companies' 401(k)'s, unless they specifically request to opt out. That is good because it is likely to increase savings significantly, especially among low- and middle-income workers.

But the bill also imperils savers by allowing for potentially biased investment advice. Previous law quite sensibly banned mutual fund companies from offering advice if their funds were among an employee's 401(k) options, but it did not give employers a legally sanctioned way to provide such advice. For the new bill, some senators had proposed protections for employers to hire qualified independent advisers. Unfortunately, at the behest of securities industry campaign donors, the House majority leader, John Boehner, fought hard for basically lifting the ban, and won.

In a similar vein, the bill strengthens the saver's credit, a tax incentive to help low-income people save for retirement (good), at a cost of about $10 billion through 2016. But it fails to extend the credit to some 50 million workers whose incomes are so low that they do not pay income taxes. The omission is all the more appalling given that the bill permanently increases, at a cost of about $36 billion through 2016, the already lofty before-tax amounts that high earners can stash each year in their I.R.A.'s and 401(k) accounts (bad). Raising the contribution limits benefits only 6 percent of all households, mostly those making more than

$100,000.

Lawmakers have trumpeted the pension bill mainly because they have done so little that can conceivably be bragged about this year. But once it is signed, the new law will require careful monitoring to ensure that its special interest giveaways do not trump the public interest. And clearly, there is more work to do to help Americans who need to save for retirement.

Next Article in Opinion (1 of 12) »

Related Articles

- Wage Bill Dies; Senate Backs Pension Shift (August 4, 2006)
- Pension Deal Closer, but Hurdles Exist (July 20, 2006)
- MAJOR CHANGES RAISE CONCERNS ON PENSION BILL (March 19, 2006)
- How Wall Street Wrecked United's Pension (July 31, 2005)

Related Searches

- Congress
- Pensions and Retirement Plans
- Boehner, John A

Next Article in Opinion (1 of 12) »

Inside NYTimes.com

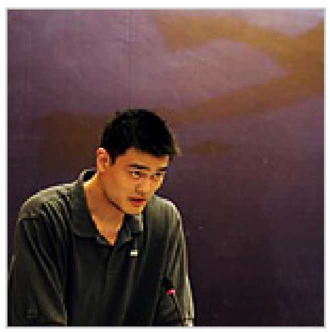
TimesSelect

Roberts: In Internet Era, No Secrets

Business »

Wine Ratings Might Not Pass the Sobriety Test

Week in Review »



Yao Ming's Jane Fonda Moment

Magazine »

Fruit Farm Yields a Bittersweet Harvest

TimesSelect

What Is Victory?

In the war between Hezbollah and Israel, neither side can win in the classical sense, writes Chibli Mallat.

Arts »

How Do You Say 'Desperate' in Spanish?

Home