OFFICE OF HOUSE DEMOCRATIC WHIP STENY H. HOYER

Whip Question

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Pension Reform

The Republican Leadership may bring to the floor in December a flawed pension reform bill, H.R. 2830 by Reps. Boehner and Thomas. This $70 billion proposal contains several controversial and harmful changes that could lead to millions of American workers losing their pension benefits. H.R 2830 was reported by the House Education and Workforce Committee in June with all Committee Democrats voting "Present," and by the Ways and Means Committee in November with all Democrats opposed.

Every month brings a new story of plant closings, layoffs or offshoring decisions that make it harder for working Americans to provide for their families and prepare for retirement. Those who keep their jobs, often do so at the expense of losing health and retirement benefits. Some companies with pension funding shortfalls have determined that it is easier to use what is supposed to be a "last resort" backstop of the Pension Benefit Guarantee Corporation (PBGC), and dump their pension promises at the expense of their employees and the PBGC in bankruptcy. In the face of these real and growing challenges, the Republican majority is advancing a bill that contains many provisions that will make matters worse and could lead many companies to freeze or abandon their pension plans. The GOP pension bill can be seen as one more plank in their effort to create an "on-your-own society" as with the failed Social Security privatization plan, and continue to shift the tax burden from wealth to work.

- **H.R. 2830 would make the PBGC funding crisis WORSE.** In 2000, the PBGC had nearly a $10 billion surplus. Now, the PBGC faces a $23 billion deficit and may have to absorb almost $15 billion more in pension claims from the bankruptcy filings of large airline and automotive companies. The Congressional Budget Office (CBO) indicates the GOP bill will increase the PBGC's debt by $9 billion over the next 10 years. The PBGC analysis also concludes the GOP bill will increase the agency's debt.

- **H.R. 2830 would lead to more pension plan terminations.** The bill contains many technical changes to the funding rules for defined benefit pension plans as to how pension liabilities are valued, assets invested, and when higher contributions are required. These changes would likely cause many companies to either freeze or terminate their plans rather than deal with the increased financial and regulatory burden of the GOP plan resulting in lower pension benefits for millions of Americans.

- **H.R. 2830 does nothing to fix pension and bankruptcy laws to stop companies from dumping underfunded pension plans in bankruptcy.** The PBGC is juggling a record 350 pension plans in bankruptcy because some companies have resorted to using bankruptcy as a management tool. Companies that have successfully used the bankruptcy process to rid themselves of pension liabilities have reemerged with cost advantages over their competitors who have played by the rules. The GOP bill gives a green light for these companies to seek the same cost-cutting measures in bankruptcy as their competitors, while doing nothing to close loopholes in the law that allow companies to dump their plans even when they are affordable. United Airlines employees and retirees, for example, lost over $3 billion in earned benefits when United dumped its plans using the lax current rules that the GOP bill keeps in place.

- **H.R. 2830 increases the deficit and favors the wealthiest Americans at the expense of working families.** At a time when the GOP is calling for fiscal responsibility by cutting billions from programs that aid the disadvantaged, students, and families affected by natural disasters, they are advancing tax breaks for the wealthiest Americans. Whether it is the nearly $80 billion tax reconciliation bill or the $70 billion in extension of the pension-related portions of the 2001 tax bill contained in H.R. 2830, the GOP continues their pattern of borrowing and increasing our nation's debt.

Democrats believe we must strengthen the pension system to protect the retirement of working families, not destroy it. Democrats, led by Ranking Members Miller and Rangel, will offer a substitute that would save and strengthen traditional pension plans by providing funding stability, tightening bankruptcy requirements, requiring greater transparency of pension plan information, creating greater pension equity between workers and executives, and will not add to the deficit.

- **The Democratic Substitute would provide more time to stabilize existing pension plans** by extending for 2 years the current law corporate-bond-rate that companies must use to determine their pension liabilities. A great deal of the current problem can be traced back to the Bush Administration decision to eliminate the 30-year Treasury bond because of government surpluses and historically low interest rates. Pension funding rules were tied to the 30-year bond rate prior to that and have been tied to a corporate bond rate since. The Treasury Department will bring back 30-year bonds next year. Congress should study the impact of this development before rushing headlong and adopting the GOP's harmful proposal.

- **The Democratic Substitute would stem the tide of dumping pension plans through bankruptcy loopholes** by making it harder for companies to walk away from their pension liabilities in bankruptcy. Companies would be required to exhaust all available remedies before discharging their pension plan under bankruptcy and prove that their pension plan is unaffordable. Companies would be permitted and encouraged to restore their plan upon emergence from bankruptcy.

- **The Democratic Substitute would increase pension fairness** by subjecting executive pensions to many of the same rules that apply to rank-and-file workers. It would require cuts in executive compensation to match the reduction in workers' pension benefits when companies with underfunded plans file bankruptcy.

- **The Democratic Substitute would provide pension funding reform for multiemployer plans.** A coalition of multiemployer plan unions and companies developed a comprehensive set of pension funding reforms. Protection for these plans was left out of the pension conference report two years ago by the House GOP. The multiemployer package would be included in the Democratic substitute.

- **The Democratic Substitute would encourage more retirement savings.** The substitute would include the House Democratic Amerisave match proposal that will create new incentives for increased retirement savings. It would eliminate existing barriers so that millions more working Americans can start saving for their retirement. The substitute will also simplify current laws to make it easier for workers to participate in retirement plans through automatic enrollment in 401k plans. The Democratic substitute would establish tax credits for small businesses that set up pension plans for their employees.

Please evaluate the following questions and report your response to your REGIONAL WHIP no later than 4:00 p.m. TOMORROW, December 6, 2005.

Question 1:

Will you SUPPORT the Democratic Pension Reform Substitute?

Question 2:

Will you OPPOSE the Republican Pension Reform Bill?