

Senate approves legislation for employer pensions

By Jim Abrams
THE ASSOCIATED PRESS

WASHINGTON — The Senate, acting with rare election-year concord, passed a bill Wednesday to reduce by \$96 billion the payments companies will have to make into their pension plans this year and next.

Sponsors said the measure, passed 86-9, will help preserve pension benefits for millions of workers by discouraging financially strapped companies from terminating plans as no longer affordable.

"Our pension plans are being battered by a perfect storm of declining interest rates, stock market declines and a weak economy," said Sen. Edward Kennedy, D-Mass. The bill, he said, "will help the hard-earned pensions of millions of Americans to weather this storm."

The Senate must still work out differences with the House, which passed similar legislation late last year, and answer administration objections to a provision that would excuse airlines and steelmakers with chronic pension underfunding problems from \$16 billion in catch-up payments.

For thousands of companies, speed is crucial. They face huge increases in payments to their pension funds if the measure doesn't become law by April.

"A lot of companies have suffered" already as a result of congressional delay, said Lynn Dudley, vice president of the American Benefits Council, a business group representing employers and retirement-plan providers.

She said her group's "members are withholding opening plants, not increasing new hires and avoiding improvements to their programs until they know what their liabilities are."

Unions have also lobbied for the legislation. Although the legislation will result in smaller payments to pension funds over the short run, it gives some financial breathing space to companies that might otherwise go bankrupt, lay off workers, freeze their pension plans or renege on the promised benefits.

Failed pension plans are turned over to the Pension Benefit Guaranty Corp., a government agency that insures pensions for some 44 million people in more than 30,000 defined-benefit pension plans.

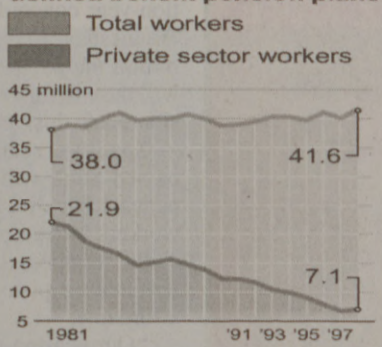
The PBGC finances itself with premiums it assesses pension plan sponsors, in much the same way the Federal Deposit Insurance Corp. collects premiums from banks and thrift institutions to insure their depositors. Last year the PBGC took over 152 bankrupt single-employer pension plans covering 206,000 people, and saw its deficit rise to a record \$11.2 billion.

Workers may lose a portion of their benefits when the PBGC becomes trustee of a plan. For example, the agency announced Wednesday it was taking over the plan of a bankrupt North Carolina construction company with 6,300 workers, pension plan assets of \$95 million and benefit promises totaling \$215 million. The PBGC estimated it will end up assuming \$104 million of the \$120 mil-

Senates buys time for pension reform

The Senate passed legislation Wednesday that is a short-term, two-year fix to protect employers from what could become artificially inflated pension contributions.

Employees participating in defined benefit pension plans



SOURCE: Department of Labor AP

lion shortfall, with the rest made up by lower retiree benefits.

Pension plans are in crisis partly because contributions have been tied to the interest rate on 30-year Treasury bonds. But the Treasury Department stopped issuing the bonds in 2001 and interest rates fell precipitously, producing smaller returns on pension plan investments. Underfunding of pension plans is now estimated to total \$350 billion nationwide.

NEWS IN BRIEF

Leaders praise energy industry, encourage diversified sources

AUSTIN (AP) — The state's top political leaders on Wednesday described their vision for a Texas where wind turbines work alongside gas wells to create clean and sustainable power for the state and the nation.

Gov. Rick Perry and Lt. Gov. David Dewhurst opened the 54th annual Texas Railroad Commission's State of the Industry meeting with praise for what they called the backbone of the state's economy. They also called on industry leaders to explore new energy sources.

"Through our focus on the development of clean energy, diversification of energy supplies and a greater emphasis on energy conservation, we can lower prices for consumers, we can create thousands of new jobs and we can make Texas and America less dependent on that foreign supply of oil," Perry said.

Energy producers, distributors and government regulators met Wednesday amid a strong energy market buoyed by the worldwide stabilization of natural gas and crude oil prices and increasing demand for energy.

"Overall, the energy industry is very bright for Texas," said Ron Kitchens, executive director of the commission. "There's also a lot of interest in new sources of energy, such as LNG (liquefied natural gas), wind power and fuel cells."

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