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NEWS RELEASE

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PENSION BILL A HUGE MISSED OPPORTUNITY FOR RETIREMENT SECURITY

WASHINGTON – The Pension Rights Center today expressed disappointment at the U.S. Senate's passage of H.R. 4, the Pension Protection Act of 2006. The Center was critical of many substantive provisions of the bill as well as the process by which it passed both Houses of Congress.

"The so-called Pension Protection Act of 2006 represents a huge missed opportunity for Congress to protect the retirement income security of millions of Americans," said Center director Karen Ferguson. "While the bill contains a handful of positive provisions that help some workers, it also contains harmful provisions that allow plans to break pension promises, and, rather than strengthen the private pension system, are likely to weaken it.

The Center questions, as an overarching principle, whether the bill's funding provisions (the heart of the bill) will improve funding in plans or penalize the very companies that are continuing to maintain defined benefit plans for their workers by precipitating the freezing and termination of these plans.

In addition, the Center singled out for criticism aspects of the bill that will hurt consumers and, in particular, older and long-tenured workers.

- The bill fails to adequately protect older employees when companies switch from traditional pensions to a cash balance plans. While the bill does eliminate the egregious practice of wearaway, it does not provide transition protections to protect against significant losses that older employees suffer when companies switch from more generous traditional pension plans to less generous cash balance formulas.
- The bill takes the unprecedented step of allowing certain underfunded multiemployer plans to cut already-earned "early out" retirement benefits of hundreds of thousands of truckdrivers, construction workers and other rank-and-file workers..
- The bill unnecessarily increases the deficit by giving costly tax breaks to higher-paid employees to encourage them to save – when they would be doing so without additional tax incentives.
- The bill eviscerates long-standing prohibitions against conflicts of interest between plan trustees and brokers and others who have dealings with plans.
- The bill misses two of the biggest issues of the day by doing nothing to stop pension freezes or prevent companies such as United Airlines from using bankruptcy courts to renege on promises to workers.

The Center praised Congress for including some positive provisions. Among them provisions that would protect certain widows and divorced women and initiatives that could increase savings among low and moderate wage-earners including by encouraging automatic enrollment in 401(k) plans and making the Savers Credit permanent.

"We are disappointed that the U.S. Senate chose to vote on H.R. 4 without serious debate or considering amendments to improve the bill," said Ferguson. "Work on this bill began almost two years ago, yet only a select few of the Conferees controlled its final form and pushed it through both the House and the Senate within days. The other Members of Congress had little time to skim -- let alone read and understand – all of the provisions of this complicated piece of legislation. Given how important this issue is, the lack of transparency during conference negotiations and the speed with which this bill was rushed through to final passage is unconscionable."

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