TOP TEN PROBLEMS WITH H.R. 2830 – THE REPUBLICAN PENSION BILL

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1. **The Republican Bill Makes the Pension Crisis Worse.** Both the Congressional Budget Office and the Pension Benefit Guaranty Corporation have concluded H.R. 2830 will add billions more to PBGC's deficit and hasten its financial crisis. The CBO found that H.R. 2830 would increase the PBGC's deficit by $9 billion dollars over the next ten years. The PBGC similarly concluded that the House bill would increase the agency's deficit by billions more than projected under current law. The PBGC is already facing a deficit of $23 billion and according to CBO could face additional liabilities of up to $100 billion. Rather than reforming our pension system to protect employees and taxpayers and shore up the PBGC, the Republican bill would add billions to the PBGC deficit.

2. The Republican Bill Will Cause Many Employers to Freeze or Terminate Pensions. H.R. 2830 creates numerous changes to the funding rules for defined benefit pension plans as to how pension liabilities are valued, assets are 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. CIEBA, an employer association, recently surveyed its members and found that 60% said they would freeze their pension plans if H.R. 2830 were enacted.

3. The Republican Bill Does Nothing to Protect Struggling American, Continental, Delta, and Northwest Airlines Employees and Retirees. H.R. 2830 contains no provisions for the struggling airline industry. United Airline employees and retirees already have lost $3 billion in earned pension benefits; the PBGC was forced to absorb $8 billion in unfunded guaranteed benefits. Delta and Northwest Airlines do not want to terminate their plans, but need additional time to fund their pension promises. The Republican bill does nothing to help these airlines or their employees.

4. The Republican Bill Does Not Stop Companies From Dumping Pension Plans in Bankruptcy or Protect the United Airline Employees and Retirees. The Republican bill does nothing to stop companies from dumping billions of dollars of unfunded pension promises onto the PBGC, at the expense of taxpayers and employees. The bill does not permit the terminated pension plans of United Airlines' 120,000 employees to be restored. The PBGC is at present juggling a record 350 plans in bankruptcy that have not yet terminated their plans, including Delta, Delphi, and Northwest. Companies who have successfully used the bankruptcy process to rid themselves of pension liabilities have emerged with cost advantages over their competitors who have not so used the bankruptcy system. This bill will increase pressure on other companies to seek these cost-cutting measures in bankruptcy that cut the pension benefits of workers and retirees. The bill imposes a $3750 per participant termination exit fee that likely will be paid from workers' wages and health benefit claims.

5. The Republican Bill Freezes and Cuts Workers Pension Benefits. The Republican bill could cause as many as half of all large pension plans to freeze some or all future benefits for employees, according to a sample examined by the PBGC. The Republican bill would prevent benefit increases and lump sum distributions for plans that are affected by these provisions, and would prohibit workers from earning future benefit accruals by the most underfunded plans. The bill would permit plans to use higher interest rates in determining the lump sum value of workers' pensions reducing pensions for millions of workers.

6. The Republican Bill Does Not Ensure Fairness Between Workers and Executives. H.R. 2830 does not ensure fair treatment between workers and executives. The bill permits CEOs to receive executive golden parachutes at the same time employees are suffering deep cuts in their promised retirement benefits. Under H.R. 2830, if an employer does not fund its pension plan above 80%, then workers cannot receive any increases in benefits or take a lump sum at retirement. No similar restriction is imposed on executives. If an employer does not fund above 60%, then the workers' plan must be frozen with no new benefits allowed to accrue. Only at 60% are employers prohibited from transferring funds to executive compensation. However, employers can get around this prohibition and make promises of future benefits to executives.

7. The Republican Bill Legalizes Cash Balance Plans Without Worker Transition Protections. The GAO recently reported that without older worker protections over 85% of younger workers and over 90% of older workers would lose expected pension benefits if a defined benefit plan were converted to a cash balance plan. The Republican bill legalizes cash balance plans without protections for long serving employees. Over 8 million workers have been affected by cash balance conversions and many have filed claims with the EEOC and courts for redress.

8. The Republican Bill Opens the Door to Conflicted Investment Advice and Self-Dealing. The Republican bill changes ERISA's longstanding prohibition on conflicts of interest and permits investment advisors to market their products to pension plan participants. Esteemed regulators and journalists, including Jane Bryant Quinn, former SEC chair Arthur Levitt, and New York Attorney General Elliot Spitzer have warned against weakening current law consumer protections. The bill also weakens regulation of hedge fund and securities firm transactions with pension plans. The SEC recently found rampant conflicts of interest among pension consultants that it and the Department of Labor are investigating.

9. The Republican Bill Reduces Information to the PBGC and keeps pension participants in the dark about their pension plan finances. Under current law, pension plans $50 million or more underfunded must report to the PBGC. The Republican bill would limit these filings to plans less than 60% funded, limit the amount of information provided, and only provide limited misleading information to workers. The Bush Administration supports broader reporting and believes these reports should be provided to all participants.

10. The Republican Bill Increases the Deficit by Over $70 billion. The CBO has scored H.R. 2830 as increasing the federal deficit by over $70 billion from 2006-2015. The bill contains a variety of unpaid-for tax deductions for the wealthiest Americans. The GOP is calling for fiscal responsibility by cutting billions from social programs that aid the disadvantaged – yet at the same time advancing tax breaks for the wealthiest Americans that increase our nation's borrowing and debt.