

## **Pension Bill Passes**

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WASHINGTON -- The U.S. Senate passed 78-19 Thursday legislation that will save businesses at least \$80 billion in pension contributions over the next two years.

Airlines, steel companies, and Greyhound buslines would get an additional break from pension contributions of at least \$1.6 billion under the bill.

The vote sends the bill to the White House where President George W. Bush could sign the measure into law as early as this weekend, according to one Congressional aide.

"I'm relieved we got this bill done," said Senate Finance Committee Chairman Charles Grassley, R-Iowa.

The House passed the bill 336-69 on April 2.

The final Congressional action on the measure "demonstrates Congress' commitment to strengthening the retirement security of American workers," House Education and Workforce Committee Chairman John Boehner, R-Ohio, said after the vote.

The bill allows businesses to use - until 2006 - a blend of long-term corporate bonds as a benchmark in calculating future pension liabilities, instead of the lower rate set by the 30-year Treasury bond, which the government stopped issuing in 2001.

A temporary benchmark replacement expired in December, and on April 15 businesses will have to make quarterly contributions based upon the 30-year bond rate unless the bill is signed into law.

The new benchmark was made more generous than one originally proposed by the Senate by allowing upper-medium-grade bonds, instead of only high-grade bonds, in the index.

As of Wednesday, Moody's Investors Services' unweighted average of long-term corporate yields on AAA, AA and A bonds was 5.89%, compared to its unweighted average of long-term corporate yields on AAA and AA bonds of 5.78%.

The rate on the 30-year bond Wednesday was 5.01%.

Earlier this year, the Pension Benefit Guaranty Corporation estimated that allowing businesses to use an index of high-grade corporate bonds - instead of the 30-year Treasury bond - would save \$80 billion in pension contributions over the next two years.

The Bush Administration and several key lawmakers would like businesses to use a more conservative benchmark in the long run, but agreed that the more generous benchmark was appropriate for the next two years given the uncertain state of the economy.

While a number of veto threats had loomed over the bill for the last seven months, the White House has said Bush will sign this version of the bill.

Senate Health, Education, Labor and Pensions Committee Chairman Judd Gregg, R-N.H., said the legislation will allow an extra \$80 billion to be invested in new equipment, new hires, and the like instead of being "misallocated within the market place" into already adequately funded pension funds.

The legislation split Democrats. Some backed the bill, while others argued that it had done too little to help union-sponsored pension plans hit by sagging interest rates and market losses.

Union-sponsored, or multiemployer plans, are jointly managed by unions and employers and typically cover people who don't work for the same company on a day-to-day basis, such as carpenters and truckers.

Multiemployer plans are subject to different funding rules than single-employer plans and wouldn't benefit from the move away from the 30-year Treasury bond as a benchmark.

The bill would allow a small percentage of multiemployer plans to put off, for two years, increased contributions required to make up for market losses in 2002. But in the third year, they would be required to make up those foregone contributions with a lump sum payment.

According to the Segal Group Inc. (XSG.XX), less than 1% of the nation's 1,600 multiemployers would qualify for the break. Even fewer might decide the break is worth taking, said Judith Mazo, vice president of the pension consulting firm.

Democrats wanted the break to go to 20% of multiemployer plans, but the White House objected and Congressional Republicans used their majority control to override Democratic objections.

One of the bill's negotiators, Sen. Max Baucus, D-Mont., wanted more relief for multiemployer plans, but voted for the bill anyway.

"It is the best solution we can come up with that will pass by April 15," Baucus said.

Both single-employer and multiemployer pension plans are under pressure from the economy, said Sen. Edward Kennedy, D-Mass.

"The question is whether we are going to treat all employees equally," Kennedy said.

Kennedy and other Democrats accused the White House of having an anti-union bias.

"These are the workers you see on the top of the buildings...the workers you see working in the ditch, Sen. Mary Landrieu, D-La., said. She said they are the people the White House "doesn't like, doesn't want to help, or doesn't (believe) needs help."

Gregg said union members are covered by many of the single-employer plans helped by changing the 30-year Treasury bond as a benchmark.

Gregg noted that the United Auto Workers and other many other unions are backing the bill.

#### Bill Includes Special Break For Airlines, Steel

The bill will also give added relief to the single-employer pension plans sponsored by the troubled airline and steel industries.

Those industries will be given a two-year holiday from the steeply accelerated pension contributions required of seriously underfunded pension plans.

Unlike the break for multi-employer plans, businesses who use the holiday wouldn't be required to make a lump sum payment of the foregone contributions.

The funding holiday is expected to benefit Inland Steel, AK Steel Holding Corp. (AKS) and iron ore miner Cleveland-Cliffs Inc. (CLF). The PBGC estimates the break will save the companies about \$300 million over the next two years.

The airline provision will benefit UAL Corp. (UALAQ), parent of United Airlines, American Airlines parent AMR Corp. (AMR), Delta Air Lines Inc. (DAL), Northwest Airlines Corp. (NWAC) and Continental Airlines Inc. (CAL). Those companies stand to save about \$1.3 billion, PBGC estimates.

The bill would also give Greyhound Lines Inc., a wholly owned subsidiary of Laidlaw International Inc. (LI), a reprieve on pension contributions to the Amalgamated Transit Union Plan.

-By John Godfrey, Dow Jones Newswires; 202-862-6601;