

November 12, 2003

RETIREMENT PLANNING

Pension Agency Warns Against Corporate Relief

By JOHN D. MCKINNON

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON -- As supporters searched for a way to make a bailout more palatable, the federal agency that backstops corporate retirement plans warned Congress against proposals to give airlines and other struggling companies a temporary, but significant, break in pension-funding requirements.

Even companies with relatively healthy retirement plans are facing higher contribution requirements because low interest rates and other economic factors are making their long-term pension obligations look larger under federal funding rules. In response, Congress is likely to pass a broad relief measure, in the form of a more generous interest-rate formula for figuring basic contribution requirements.

But some companies that have fallen seriously behind in their pension-fund contributions are seeking more. Such companies must meet steep catch-up contribution requirements, under a special set of rules enacted in 1987 to protect workers and the government's pension safety-net program run by the Pension Benefit Guaranty Corp. Airlines such as UAL Corp. are putting intense pressure on Congress to grant struggling industries temporary relief from the catch-up rules.

The Bush administration is on record as strongly opposing any attempt to water down the catch-up requirements. "If we're going to provide short-term funding relief, how do you not do the same for every future firm that finds itself in that situation?" a senior administration official said.

Bolstering the White House stand, the PBGC issued a report that estimated eliminating catch-up contributions for seriously underfunded plans would increase its overall unfunded pension liability by \$40 billion over the next three years. Much of that shortfall could eventually wind up in the lap of the PBGC, which takes over pension plans when they go broke.

FROM THE ARCHIVES

- **Page One:** [Warning of Pension-Plan Shortfall Raises Pressure for Financial Fix](#)¹

09/05/03

- **Capital:** [The Politics of Pension Promises](#)²

07/17/03

DOW JONES REPRINTS

colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: www.djreprints.com. • [See a sample reprint in PDF format](#) • [Order a reprint of this article now](#).

That could even raise the risk of an eventual taxpayer-funded bailout of the PBGC. The PBGC already faces a long-term unfunded deficit of about \$8.8 billion for its single-employer plans, mainly because of the impact of a large number of steel-industry and airline plans that it has taken over in the past two years.

Despite concerns within the Bush administration, however, influential congressional leaders are widely believed to be pushing relief. They include House Speaker Dennis Hastert, an Illinois Republican whose state is home to troubled UAL Corp., and Democratic Sen. Max Baucus of Montana, whose large rural state is served by **Northwest Airlines**.

Some leaders say they worry that imposing tough catch-up contribution requirements on struggling companies could drive those plans into the PBGC unnecessarily. "There's just some concern that without any ... relief we could be causing more plans to be dumped into the PBGC instead of trying to find ways to maintain the viability of those plans long term," Republican Rep. John Boehner of Ohio, chairman of the House Committee on Education and the Workforce, said in a recent interview. Congressional aides have been discussing ways to limit relief -- for example, giving only partial relief, or allowing companies to maintain current levels of funding.

Write to John D. McKinnon at john.mckinnon@wsj.com³

URL for this article:

<http://online.wsj.com/article/0,,SB106859371490991600,00.html>

Hyperlinks in this Article:

(1) <http://online.wsj.com/article/0,,SB106269876480565000,00.html>

(2) <http://online.wsj.com/article/0,,SB105839436975841600,00.html>

(3) <mailto:john.mckinnon@wsj.com>

Updated November 12, 2003

Copyright 2003 Dow Jones & Company, Inc. All Rights Reserved

Printing, distribution, and use of this material is governed by your Subscription agreement and Copyright laws.

For information about subscribing go to <http://www.wsj.com>