


**July 24, 2006**

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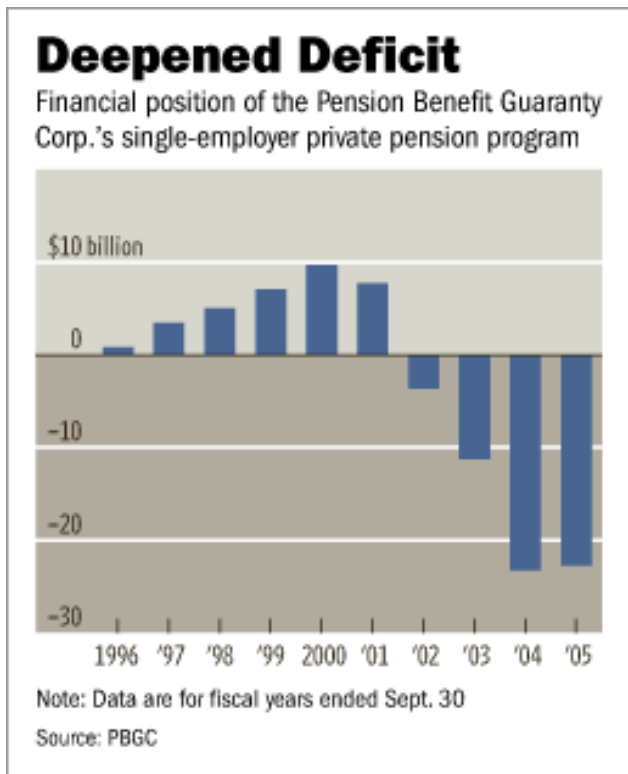
## **Pension Measure May Increase Government's Burden**

By **THEO FRANCIS** and **DEBORAH SOLOMON**

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Legislation to strengthen the U.S. private pension system, which lawmakers could adopt as soon as this week, could increase the government's burden even as it reduces corporate funding requirements, according to a recent analysis by the federal pension agency.

The projections from the Pension Benefit Guaranty Corp. suggest that the pension agency would have to make more pension payments for companies unable to do so themselves over the next decade than it would under current law. They also suggest that companies would have to contribute slightly less to their pension plans as well, leaving them less of a cushion to make payments. Under its estimate, the PBGC could absorb more than \$2 billion in additional claims than it would under current law.



But some congressional staffers called the PBGC's analysis flawed, in part because they say it overestimates what companies would have to contribute under current rules.

The disagreement over what the proposed changes in pension funding rules would accomplish comes at a critical time. Concern over the health of private pensions, which were underfunded by \$313 billion last year, has intensified this year as more large companies have abandoned their pensions. Concern has also centered on the PBGC, the federal pension insurer, which takes on abandoned plans and has seen its obligations swell after assuming the plans of **US Airways Group Inc.**, United Airlines parent **UAL Corp.** and others.

Negotiators in the House and Senate have been seeking a compromise among various proposals intended to strengthen the health of pension plans and shore up the PBGC's finances. Supporters say the legislation, which among other things changes the minimum requirements for employers'

contributions to their pension plans, would keep pensions better funded and make it less likely the PBGC will have to assume their obligations.

The PBGC estimates, which were prepared in late June, suggest that under current law the agency will absorb an estimated \$12.8 billion in claims, or pension obligations. By contrast, the proposals under consideration by congressional negotiators would swell the agency's obligations by \$14.9 billion to \$15.2 billion in claims over the decade.

The projections also suggest that under existing law, employers would contribute about \$1.24 trillion to their plans from 2007 through 2016. By contrast, three variations on the compromise legislation would result in contributions of \$1.21 trillion to \$1.23 trillion.

The agency cautioned in its report that several factors mean its analysis exaggerates the effectiveness of the compromise proposals. That's because the PBGC didn't take into account proposals giving airlines and potentially others breaks on the funding rules, among other technical changes that would tend to reduce contributions.

Some congressional staffers say the PBGC's characterization of the new legislation is overly dire because it overestimates what companies would have to contribute to their pension plans under current law. The disparity stems from the PBGC's use of interest rates on 30-year Treasury bonds to estimate corporate liabilities, as current law requires. As an interim measure in the past two years, however, companies have been allowed to use a higher rate based on corporate bonds, thus making pension obligations appear smaller and lowering required contributions. The pension legislation instead would link a company's funding requirements not to a standard interest rate but instead to when its own pension obligations will come due.

Both Democrats and Republicans have continued to insist that the compromise proposal will be tougher than current law. Final legislation, which is expected to be unveiled this week, will include a requirement that all pension plans, with the exception of struggling airlines, be 100% funded within seven years, that plans with

funding levels below 80% freeze new obligations, and that companies not be allowed to use so-called credit balances when assessing their funding levels.

House Majority Leader John Boehner has criticized the PBGC modeling, saying it doesn't take into account some of the provisions in congressional proposals.

Rep. George Miller, a California Democrat on the pension-bill conference committee, complains that fellow lawmakers haven't made the PBGC's findings available for public discussion. He said he was able to obtain the information only after filing a Freedom of Information Act request with the PBGC.

The PBGC referred questions to the White House, which has been pushing Congress to enact legislation that is stronger than both existing law and what is now under consideration.

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