

## Still No Talks On Pension Reform Bill

By William L. Watts

4:55 PM ET Mar 2, 2006

WASHINGTON (MarketWatch)

Top Senate Republicans on Thursday said they may attempt to insert pension relief for airlines into an unrelated tax bill in order to get around a standoff that's delayed a broader overhaul of the nation's defined-benefit pension system.

"The airline provisions need to get done because if any more airlines tank, the economy will tank right along with them," said Senate Finance Committee Chairman Charles Grassley, R-Iowa, in a statement.

Bankrupt airlines, including Delta Air Lines and Northwest Airlines, have pressed hard for special relief.

The House and Senate have each passed wide-ranging but very different bills that would make major changes in the nation's troubled pension system.

Both bills would give most troubled companies seven years to make up shortfalls in underfunded pension plans, and would require companies to pay higher premiums to the Pension Benefit Guaranty Corp., which serves as the federal backstop for troubled pension systems.

Among the bills' many differences, the Senate version would give airlines 20 years to make up funding shortfalls, while the House version contains no special provisions for carriers.

House and Senate negotiators must now meet to iron out differences between the two pieces of legislation. A final bill would then have to pass both chambers before being sent to the White House for President Bush's signature. But those negotiations have been stalled since December due to a disagreement between Senate leaders over how many senators should serve on the House-Senate conference committee.

Grassley blamed Senate Minority Leader Harry Reid, D-Nev., for the impasse.

"The pension talks are being held up because one person in the U.S. Senate can't make up his mind on which two or three Democrats ought to be on a conference committee. If we don't get this resolved right away, I'm going to look into pulling the airline relief and the post-Enron reforms out of the pension bill, adding them to the tax reconciliation bill, and the rest of pension bill will end up dying because of the Democratic leader," Grassley said.

Frist called for a total of 12 senators -- seven Republicans and five Democrats -- to sit on the conference committee. Reid has called for a total of 14 senators, eight Republicans and six Democrats.

Frist then offered to up the number of Senate conferees to 15, consisting of nine Republicans and six Democrats. Frist says that ratio is necessary to preserve equal representation of the two committees that drafted the Senate bill. But Reid has balked at seeing the GOP edge on the committee rise to three votes.

"Democrats cooperated on this [bill] every step of the way ... We're ready to go to conference five minutes from now," Reid said on the Senate floor Thursday.

Frist, meanwhile, said he's open to seeking separate action on the airline-related measures.

"I should note that the airline provisions of this bill are necessary to keep additional pension obligations from being terminated and left at the doorstep of the Pension Benefit Guarantee Corp.," Frist said. "As Chairman Grassley suggested, if we cannot make some progress shortly, we may need to look at pulling those provisions out and moving them on another vehicle."

But analysts say such a move may be no more than a negotiating ploy designed to goad Reid into appointing negotiators. Trying to separate the airline provisions from the broader pension package could actually work to the detriment of carriers, said Greg Kelly, a Washington-based policy analyst with Susquehanna Financial Group.

The White House has shown little appetite for special airline-relief provisions. And the primary Republican architect of the House bill, Majority Leader John Boehner of Ohio is also viewed as lukewarm at best to any airline breaks.

"We have always viewed the White House and the House as going along with some airline relief as part of a whole package. If you try to pull it out and pass it separately, it changes the dynamics of pension reform," said Greg Kelly, a Washington-based policy analyst with Susquehanna Financial Group.

Kelly sees the impasse as a temporary stumbling block. He sees an 85% chance that the House and Senate will produce a final bill and send it to Bush's desk before April 15 - a date that looms as an unofficial but crucial deadline.

Under current law, pension liabilities are determined by a complex formula based on a mix of corporate bond rates. Effective Jan. 1, however, the formula reverted to the 30-year Treasury rate, which would require substantially larger contributions. Companies would be required to make their first quarterly contributions under the Treasury-based formula on April 15, unless Congress completes work on the pension overhaul