

# Isakson: Pension bill deal close

Delta anxiously awaiting word on extra time for funding

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WASHINGTON — After another day of intense negotiations to complete a pension overhaul bill, U.S. lawmakers are now close to announcing success, Sen. Johnny Isakson (R-Ga.) said early Wednesday afternoon.

"The bill is substantially done," he said, and could still be written up in time for the House to approve it on Friday, the last day before the August recess.

## PENSION FACTS ABOUT DELTA

- The airline's main pension plan covers 91,000 workers, retirees and dependents.
- A separate plan covers 13,000 pilots and dependents.
- The plans were underfunded by about \$6.4 billion as of September 2005.
- Delta says it can't afford make-up payments required under current law.
- It wants the reform bill to give ailing airlines 20 years to fully fund their plans.
- Delta says it will have to terminate the main plan unless it gets the relief; it has already moved to terminate the pilot plan, saying it has features that make it unaffordable even with relief.
- Termination shifts responsibility for benefits payouts to the Pension Benefit Guaranty Corp.

Senate Majority Leader Bill Frist (R-Tenn.) told Bloomberg News the work is almost finished.

"Late today the pensions legislation should be wrapped up completely," said Frist.

Under the proposed bill, most companies that offer traditional pensions would have seven years to fully fund their obligations.

But Delta Air Lines and Northwest Airlines, both in Chapter 11 bankruptcy proceedings, want Congress to allow them to stretch out their pension payments over 20 years. They have said that unless Congress grants such relief by August, they may default on pensions of 150,000 retirees and workers.

That would shift their obligations to the Pension Benefit Guaranty Corp., the federal agency that insures pension plans that provide a monthly benefit to retirees based on years of service.

Usually, Congress needs several days to turn verbal agreements into legal language, but Isakson said this bill is so important that staffers have been "working around the clock" to write it. Because of that effort, Isakson said he remains "optimistic" that airlines will get what they need to preserve their pension plans.

Members of the House and Senate have been haggling for days over what kind of special treatment to give airlines in a pension overhaul bill they hope to complete this week.

Since the 2001 recession, the PBGC's solvency has eroded as bankrupt steel companies, airlines and others defaulted on pension obligations. Currently, the agency is running a deficit of \$23 billion.

The bill's goal is to tighten funding rules to force companies to set aside more money to back up pension promises to workers and retirees.

Critics say allowing airlines to drag out the process of funding pension obligations would only increase the risks to the PBGC by leaving coffers emptier for longer.

To discourage airlines from taking advantage of the extended funding period now - and then defaulting anyway in a few years - House Ways and Means Chairman Bill Thomas (R-Calif.) decided to push hard for yet another provision to the bill.

Staffers close to the negotiations say he wants to include stiff financial penalties for any carrier that uses a future trip to bankruptcy court as a way to dump pension obligations. Under current law, airlines that default owe the PBGC a penalty of about \$1,250 per pensioner for three years.

Tuesday's negotiations focused on whether to triple such penalties. But on Wednesday, Isakson said he and Thomas had worked out compromises to resolve their differences. He would not elaborate on what those compromises involved.

Also on Tuesday, one potential hurdle was removed.

Republican leaders had wanted to attach a provision lowering estate taxes. But Sen. Olympia Snowe (R-Maine), a member of the House-Senate committee trying to shape the final bill, refused to go along.

She represented the tie-breaking vote. Inclusion of the controversial tax provision "would be a poison pill for a bill that has taken months to complete," she said in a statement. Pension reform is "too critical and the risk too great to politicize the process and put the pension bill in jeopardy now."

Both the House and Senate have passed versions of pension legislation, but they differ considerably. The negotiators are trying to smooth out those differences.