

Airline pension relief a tough sell in Congress

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WASHINGTON — Members of the House and Senate continued haggling Tuesday over what kind of special treatment to give airlines in a pension overhaul bill they hope to complete this week.

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 proceedings, want Congress to allow them to stretch out 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.

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.

Another potential hurdle was removed, however.

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.

The prospects for passing the bill in time to help Delta and Northwest appeared to be dimming because the House is set to leave for its August recess at the close of business Friday. Typically, staffers need about three days to turn oral agreements among lawmakers into specific language for final passage of the bill. So lawmakers are down to the wire.

Still, House Majority Leader John Boehner (R-Ohio) told reporters, "I am hopeful."