

THE KILLING OF PENSIONS

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Until 20 years ago, about the time you were born, most geezers approaching retirement had a traditional defined-benefit pension plan. The longer you worked at a company and the more money you made, the more you got at your retirement. Employers kept increasing their contributions to these plans, and whatever risk that came with them was assumed by the employers.

Gone with the wind. For years, companies have been cutting their contributions and moving more and more of the market risk from themselves to their employees. They switched to "defined-contributions" plans, like the 401(k), where the employee chooses the investments and assumes the risk (think of the stock market in recent years).

In 1984, only 19 percent of employers with plans used defined-contribution plans. In 2004, it was up to 93 percent, according to a comprehensive series in the Minneapolis Star Tribune on what the pension changes are doing to people in that state. By contrast, in 1984, 57 percent of companies had defined-benefit plans. By 2004, that number was 15 percent.

The Bush administration has approved a change that makes it legal for companies to modify their pension plans in a way that usually discriminates against older workers who were covered under the earlier plans. But this is the just the beginning.

Making your pension disappear is a new corporate art form. There is, for example, the "wear away." The Star Tribune gives this example: Say you've been working for a company for 20 years, at the end of which you are entitled to a pension of \$2,000 a month. BUT, your company decides to "revise" the plan and, lo, suddenly you have to have worked for 40 years to qualify for \$2,000 a month.

Technically, the company has not reduced your pension benefit -- it is just holding the benefit in place until time "wears away" the difference between the new terms and the old terms.

Another trick is just under funding the pension plan. During the last five years, under funded company pension plans have increased by five times and are short in funds by \$340 billion, up from \$20 billion.

The latest corporate craze is for companies to declare bankruptcy, dumping pension responsibilities on the federal government and walking away, only to start doing business again without that nasty pension anchor around their necks. Your pension gets dumped to the Pension Benefit Guaranty Corp., a government entity that ensures \$2 trillion of pension benefits. The PBGC is funded by employers, who pay it \$19 per employee annually.