

# **UNFUNDED PENSION LIABILITIES:**

## **Democratic Warnings / Republican Inaction**

### **As the Crisis Deepens**

COMMITTEE ON EDUCATION AND THE WORKFORCE – DEMOCRATIC CAUCUS  
CONGRESSMAN GEORGE MILLER, SENIOR DEMOCRATIC MEMBER  
AUGUST 10, 2004

The worsening state of many private pensions, affecting millions of American employees and their families, has reached crisis state. Pension plans that fail become the responsibility of the Pension Benefit Guaranty Corporation (PBGC). The PBGC's current multi-billion dollar underfunding is prompting visions of a repetition of the costly Savings and Loan (S&L) bailout of the 1980s, according to Emory University Professor George J. Benson, an expert on the regulatory failure that led to the earlier crisis.

Democratic leaders in Congress, as well as the Government Accountability Office (GAO) and the PBGC itself, have been calling for substantial pension reform in the wake of the Enron and other bankruptcies and the worsening financial condition of the PBGC. But the Bush Administration and Republican congressional leaders have failed to act as the crisis has worsened and the risks have become even greater. As the *New York Times* noted on August 8, 2004, "Congress would do better to tackle the [pension] problem now than wait until after a full-blown crisis."

The following timeline documents the worsening of the pension crisis and the failure of Republican leaders in Congress to take effective action despite years of warnings.

**~2002~**

#### **July 25, 2002**

**WARNING: THE UNFUNDED LIABILITY OF PRIVATE PENSION PLANS REACHES A RECORD LEVEL, JUMPING 425% IN ONE YEAR AND HITTING \$111 BILLION.**

- Rep. George Miller urges the Bush Administration to step up oversight in a letter requesting information from Treasury Secretary Paul O'Neill and Labor Secretary Elaine Chao.

#### **August 1, 2002**

Rep. Miller and Rep. Rob Andrews send a letter to Committee Chairman John Boehner to schedule hearings on private pension security.

- No hearings are held by the Committee on Education and the Workforce on the growing pension crisis.

## **Fall 2002**

On September 10, 2002, the Subcommittee on Employer-Employee Relations holds a hearing on issues in the Ullico union pension plan, ignoring the broad pension underfunding crisis.

## **December 10, 2002**

The Bush Administration proposes regulations affecting “cash balance” pension conversions that would significantly reduce protections for older workers whose pensions could be cut by 50% or more.

## **~2003~**

## **January 30, 2003**

**WARNING: THE PBGC ANNOUNCES THAT THE AGENCY HAS GONE FROM A SURPLUS OF \$8 BILLION TO A DEFICIT OF \$3.6 BILLION IN ONE YEAR.**

- Rep. Miller calls on President Bush and Congressional Republicans to take immediate action on pension security and the PBGC’s growing financial instability.

Over 200 representatives and senators urge President Bush to revise the proposed “cash balance” regulations to protect pensions of older employees.

## **April 8, 2003**

In the face of continued resistance by the Bush Administration, Reps Miller and Sanders introduce H.R. 1677, the Pension Benefits Protections Act with 137 co-sponsors. The bill allows cash balance conversions, but protects older workers.

## **July 23, 2003**

**WARNING: THE GAO RELEASES A REPORT WARNING THAT THE PBGC IS AT “HIGH RISK” BECAUSE OF INCREASED BANKRUPTCIES AND GROWING LEVELS OF UNFUNDED PENSION LIABILITIES AND PLACES PBGC ON ITS “WATCH LIST” OF TROUBLED AGENCIES.**

- Rep. Miller calls for Congress to address the problem of pension underfunding.
- Rep. Miller sends a letter to the PBGC asking for up-to-date information about the financial health of individual pension plans.

## **August 26, 2003**

The PBGC responds to Rep. Miller’s July 23, 2003, letter declining to provide information unless there is an official Committee or Subcommittee request for the information.

### **September 4, 2003**

**WARNING: BOTH THE PBGC AND THE GAO MAKE SPECIFIC RECOMMENDATIONS FOR IMPROVING THE SECURITY OF PENSIONS AND SAFEGUARDING TAXPAYERS AT A COMMITTEE HEARING HELD ONE YEAR AFTER REP. MILLER'S CALL FOR AN EXAMINATION OF THE PENSION FUNDING CRISIS.**

- Rep. Miller and Rep. Lloyd Doggett introduce HR 3005 to open up PBGC information about pension plans to greater public review.
- The Committee takes no legislative action on broad pension reform and declines to include HR 3005 in pension interest rate calculation relief passed by the House.

### **October 17, 2003**

The PBGC provides calculations for projected pension funding levels if Congress changes interest rate assumptions but fails to provide specific information on plans.

### **October 29, 2003**

The Committee on Education and the Workforce holds a hearing on "The Pension Underfunding Crisis: How Effective Have Reforms Been?"

### **November 13, 2003**

Democrats win a major victory for older workers when negotiators on the Treasury-Transportation appropriations bill agree to include language barring President Bush from implementing his regulations to facilitate cash balance conversions without providing stronger protections for senior workers.

**~2004~**

### **January 2004**

**WARNING: THE PBGC ANNOUNCES ITS DEFICIT HAS INCREASED FROM \$8.6 BILLION TO \$10 BILLION IN ONE MONTH.**

- Chairman Steve Kandarian announces his resignation from the PBGC.
- Rep. Miller issues press releases citing the PBGC's new record deficit and calls for comprehensive reform, saying the deficit threatens taxpayers and workers and "must become a priority" for the Congress.

## February, 2004

The Bush Administration concedes it lacks support in Congress to pursue its regulations, but proposes legislation that fails to protect older workers in cash balance conversions.

## February 25, 2004

**WARNING: PRIVATE PENSION DEFICIT REACHES \$350 BILLION AND THE PBGC DEFICIT REACHES AN HISTORIC HIGH OF \$11.2 BILLION. MILLER REMINDS THE COMMITTEE THAT THE PBGC HAS BEEN PLACED ON THE GAO'S "WATCH LIST" OF FEDERAL AGENCIES AT FINANCIAL RISK.**

- Rep. Miller calls for legislation to require companies “to adequately fund their pension plans, fully disclose the financial condition of their pension plans, and protect their older workers when converting from traditional pension plans to cash-balance plans.”

## April 10, 2004

President Bush signs the bipartisan stopgap measure HR 3108 providing a temporary replacement for the 30-year Treasury interest rate, as well as pension funding relief for the steel and airline industries in particular.

## June 17<sup>th</sup>, 2004

After a year and a half of Democratic pressure to protect senior employees from the Bush Administration's cash balance regulations, the Administration withdraws the proposal.

**SUMMARY: The worsening of the pension crisis has been highlighted by Democratic congressional leaders for over two years. They have proposed hearings, sought critical information from Executive agencies, proposed legislation and initiated investigations. And yet despite the Enron and other 401(k) debacles, unprecedented levels of underfunding in private pension plans, and historic underfunding by the PBGC – threatening another S&L-type taxpayer bail-out – Republican leaders and the Bush Administration have failed to support or enact major pension reform. Their actions have been limited to a few hearings, which only served to document the worsening crisis, and non-controversial, temporary fixes that leave the massive pension crisis unaddressed.**