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Bill Would Extend Time to Fund Pension Plans

By [JAVIER C. HERNANDEZ](#)

Congress is again looking to give companies more time to replenish employee pension plans, worried that looming payments will crimp their cash flow and slow hiring.

But by allowing pensions to remain inadequately funded, lawmakers would also increase the risk that the government would have to pick up the tab for pension payments owed by bankrupt companies. A bill introduced on Tuesday in the House would give struggling employers the option of spreading out required contributions to retirement plans over nine years, rather than the seven years they are now allowed. Under the proposal, companies would make only token payments for the first two years.

To discourage companies from joining the many businesses that have frozen pension benefits for workers, Congress would also give employers up to 15 years to fully fund their plans if they agreed not to freeze benefits. Pension plans were hurt last year by the declines in the financial markets, leaving employers hungry for cash to compensate for pension fund losses but with few places to look outside of staff reductions or cuts to benefits.

While delaying pension contributions would ease that cash squeeze, it would impose more risks on the [Pension Benefit Guaranty Corporation](#), the government body that pays retirees' benefits when a company's pension plan fails. Since 1974, the corporation, which is funded by premiums paid by businesses, has saved the pension plans of about 4,000 companies. It has a deficit of \$33.5 billion.

If companies and their pension plans continue to collapse at a rapid rate, many economists worry that the corporation would eventually need a taxpayer bailout.

However, at a meeting Thursday of the Senate Committee on Health, Education, Labor and Pensions, lawmakers appeared sympathetic to granting employers more time to make payments.

“We are asking them to put more money aside for the pensions, and that’s money that can’t be used to create jobs,” said Senator [Al Franken](#), a Minnesota Democrat. “You want to give them some flexibility and some relief.”

Lawmakers said they were moved by [the stories of workers at Delphi](#), the auto parts giant where 21,000 salaried workers and retirees are facing retirement checks that are significantly lower than they expected. The reduced pensions are a result of the bankruptcy of Delphi, which underfunded its plan and turned over responsibility for retirement accounts to the Pension Benefit Guaranty Corporation, which limits the monthly stipends for certain retirees.

The pensions of all Delphi workers will not be cut. The 46,000 union members will receive full retirement benefits because of a decade-old deal with [General Motors](#), the former parent company of Delphi, which agreed to make up any shortfalls if Delphi ever encountered financial trouble.

Bruce Gump, who leads a group of retired nonunion Delphi workers, told the committee that he believed the government had acted illegally by allowing their retirement checks to be cut.

“What we’re asking for is fair and equitable treatment,” Mr. Gump said. “Honest, hard-working, play-by-the-rules American citizens are paying a terrible price.”

[The bill](#) was introduced by Representative Earl Pomeroy, a North Dakota Democrat, and Representative Pat Tiberi, an Ohio Republican.

Changing the pension system is familiar terrain for legislators. In 2006, lawmakers passed rules intended to require companies to fully fund their pensions over seven years, after an initial delay. Congress was trying to address shortfalls at many companies, which became apparent after the collapse of airlines and steel makers.

But when the markets plunged last year, [lawmakers rushed to ease some of those restrictions](#) and give employers more flexibility in how quickly they had to meet funding thresholds.

Senator [Michael B. Enzi](#), Republican of Wyoming, said at Thursday’s hearing that lawmakers had to make adjustments. “If we could have foreseen in 2006 the steep stock market decline coming around the bend, then there is little doubt that we would have incorporated greater flexibility in the funding rules,” he said.

Jeremy Gold, an actuary and economist, said lawmakers were ignoring the potential benefits of devoting more money to pension plans.

“One of biggest arguments is this funding relief saves jobs,” Mr. Gold said. “That may be true for troubled employers, but when you put money into pension plans, it goes into the capital markets and makes capital cheaper.”

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