

FROM THE HILL

Legislative and Political Report

ALPA-Backed Pension Bill Passes in U.S. Senate

On Nov. 16, 2005, the U.S. Senate approved legislation that could pave the way for wide-ranging pension reform in the United States. Lawmakers adopted S.1783, "The Pension Security and Transparency Act of 2005," by an overwhelming 97-2 vote. The battle for meaningful pension reform then moved to the House, which was expected to consider its version of pension reform legislation before recessing at the end of December 2005.

"We applaud the Senate's passage of this bill as an important step toward securing the futures of tens of thousands of airline pilots and their families," ALPA's president, Capt. Duane Woerth, said at the time of the Senate passage. "This legislation will make it possible for airlines with defined-benefit employee pension plans to make good on their promises to airline workers, and give troubled airlines the relief they need to survive."

Before final passage of the Senate bill, the Senate adopted two amendments of significant importance to ALPA. First, by voice vote, the Senate agreed to the Isakson/Rockefeller/Lott amendment that would provide a 20-year amortization period for unfunded pension plan liabilities. Next, by a vote of 58-41, the Senate passed the Akaka/Specter amendment, which would give the same insured benefit to pilots at age 60 if their plans are terminated as other workers with terminated plans would receive at age 65. The Association worked closely with senators to draft the amendments and to build political support among legislators for the Senate to adopt the amendments.

The Senate passage of S.1783, brought about in large part by the hard work of ALPA staff and pilot volunteers, was just the latest skirmish in ALPA's long struggle to reform U.S.

pension funding rules. Defined-benefit pension plans in the United States are estimated to be underfunded by approximately \$450 billion. The Pension Benefit Guaranty Corporation, the government agency that was created in 1974 to insure employee defined-benefit pension plans, had \$56.5 billion

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in assets in September 2005 to cover \$79.2 billion in future pension liabilities—a \$22.8 billion shortfall.

Some observers suggest that, without pension reform, the PBGC faces future insolvency. The proposed legislation was drafted partly to save the agency from a massive taxpayer bailout. According to the PBGC's latest annual report, the agency assumed 120 terminated pension plans in fiscal year 2005. It reported \$4 billion in losses from pension liabilities while it collected only \$1.5 billion in insurance premiums during that same period. Investment income contributed another \$3.9 billion.

In recent years, airline employee pension plans have been increasingly at risk. ALPA recognized the threat to pensions early on and lobbied Congress to pass similar legislation that would have helped United Airlines and US Airways to fulfill retirement promises made to their employees. But Congress did not act quickly enough, and both carriers terminated their employee pension plans—with a combined value of \$9.6 billion—after filing for Chapter 11 bankruptcy protection. Delta and Northwest,

which both filed bankruptcy in September 2005, may terminate their plans as well if they don't get the necessary relief from Congress. The two airlines' pension plans are underfunded by an estimated \$16.3 billion.

Before the Senate bill can become law, House lawmakers must first consider similar legislation, and any differences between the House and Senate versions of the bill must be worked out before the proposal is sent to the president. While similar in substance, the House version of the bill, H.R.2830, The Pension Protection Act of 2005, has no specific provisions relating to the airline industry or the airline piloting profession. The House bill is sponsored by Rep. John Boehner (R-Ohio), chairman of the House Education and Workforce Committee.

Indeed, the Bush administration said it opposes specific provisions of the Senate bill that give airlines more time to fully fund their pensions. Already, the White House has threatened a veto, saying that close advisors would likely urge the president not to sign the legislation if the final bill did not maintain strong overall funding requirements.

ALPA continues to work aggressively to foster bipartisan support for pension reform and to build among lawmakers consensus relating to the industry-specific provisions. The Association has lobbied Congress vigorously to move the bill through the legislative process.

"We urge the House to follow the Senate's lead and act swiftly on H.R.2830 to facilitate a conference between the House and Senate before Congress adjourns at the end of the year," Capt. Woerth said in early December 2005. "The futures of thousands of airline workers hang in the balance." —Gavin Francis, Staff Writer