



NATIONAL RETIREE LEGISLATIVE NETWORK, INC

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The Honorable Edward Kennedy
U.S. Senate Committee on Health,
Education, Labor and Pensions
644 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Kennedy:

From reviewing news releases and statements on your website and reading news articles, I know you have been outspoken about how the greedy, dishonest and irresponsible handling of retirement funds have shattered the trust of millions of American workers and retirees. You are to be commended for carrying the torch on the need for pension reform. On behalf of the nearly 2 million retirees who are members of the National Retiree Legislative Network, I want to share with you our priorities for addressing America's pension crisis.

As the Ranking Democratic Member of the Senate Health, Education, Labor and Pensions Committee, your leadership will play a pivotal role in the pension reform legislation developed by your Committee. In the Committee's deliberations, I hope Senators will recognize that where cash balance pensions are concerned it is absolutely critical to have provisions to adequately protect older workers.

I know there will be a concerted effort by corporate lobbyists to gain legislation to legalize cash balance plans retroactively. Any cash balance legislation must be prospective only. Making the bill retroactive would endanger pending lawsuits for hundreds of thousands of employees and retirees.

Workers and retirees have planned for retirement based on the expectation that the pension and other benefits they have earned through decades of their labor will be there for them. There must be protection for these older workers when there is a conversion to cash balance or hybrid pension plans.

As you know, members of other committees in the Senate and House have their ideas about what pension reform should be. If you will indulge me, I want to share with you

the NRLN's views on some of these key bills. As you lead the charge for pension reform you will be in a position to influence what happens with these bills.

We support S. 219, the National Employee Savings and Trust Equity Guarantee (NESTEG) Act, that has been created in the Senate Finance Committee. In general, at this time, we favor S.219 over other pension reform bills. We like it because:

- It requires that underfunded pension plans must reach 100 percent funding within seven years.
- Companies with poor credit ratings would have stricter pension funding requirements.
- Cash balance provisions protect older employees at time of conversion to cash balance or hybrid pensions.
- Cash balance provisions prohibiting “wear-away” of normal and early retirement benefits.
- Cash balance plan provisions are prospective—not retroactive.

What we would like improved in S. 219:

- We want additional pension disclosure requirements in the bill to inform workers and retirees about the funding status and the investment policies of their pension plans.
- It should be made clear that the definition of current liabilities applies not only for funding purposes and to calculate the value of lump sum pensions, but also when determining whether the defined benefit plan is sufficiently well-funded before it is eligible to make an IRC Section 420 transfer and, if so, determining the amount that may be lawfully transferred.

The NRLN opposes HR 2830, the Pension Preservation Act of 2005; and HR 2831, the Pension Preservation and Portability Act of 2005 (a cash balance pension bill). Here are our main reasons for opposing these bills assigned to two House Committees—Education and Welfare and Ways and Means. As currently written, the bills would:

- legalize age differentials of accrued benefits when defined benefit plans are converted to cash balance plans.
- permits “wear-away.” (This practice where companies can freeze or reduce older employees benefit accruals for a period of time while younger workers continue to earn benefits, is the very action that the courts ruled against in the IBM case.)

The NRLN recommends certain elements of Senator Harkin's bill, S. 1304, the Pension Benefit Protection Act of 2005. We like this cash balance bill because:

- It equalizes benefits for older employees when defined benefit plans are converted to cash balance or hybrid plans.
- Prohibits the practice of “wear-away,” in cash-balance plan conversions.
- Offers retirees a choice at retirement between the old and new plans.

If you, your staff, or the HELP Committee staffers would like to learn more about what retirees believe constitutes meaningful pension reform, there is an open invitation to talk with the NRLN's representatives in Washington. Please contact Marta Bascom at 703-863-9611 or marta.bascom@linkspace.net. I hope you'll take us up on this offer.

As you know so well, there must be safeguards in pension reform legislation that will prevent employers from breaking promises to workers and retirees. You are in a unique position to help steer corporations in the right direction by championing legislation that prevents age discrimination, is not retroactive, provides strong pension funding and disclosure requirements and protects trust fund assets.

Sincerely,

A. J. (Jim) Norby
NRLN President