



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

For Immediate Release

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Grassley Wins Final Approval of Protections of Employees' Pensions

WASHINGTON – Sen. Chuck Grassley today won final legislative approval of his reforms to better protect employees' pension plans from corporate malfeasance such as in the Enron scandal. The reforms were part of comprehensive legislation Grassley also helped to draft that will shore up the nation's pension funding for workers nationwide.

"It's obvious that pension funding is in trouble," Grassley said. "We had to strengthen it, or retirees would suffer. Millions of Americans have hundreds of billions of dollars invested in employer-sponsored retirement plans. And it's important to protect employees from greedy corporate types. The Enron scandal may be over, but there will be another if we don't prevent it. When the president signs this bill, pension holders will be a lot better off."

The *Pension Protection Act of 2006* passed the Senate 93 to 5, clearing it for the President's expected signature. The bill is considered the most comprehensive reform of pension funding laws since 1974. Developed in large part through the Senate Finance Committee, which Grassley chairs, it contains a series of reforms to shore up pension funding. A major change includes changing the formula companies must use to contribute to their pension plans so they can't purport to contribute more than they truly are and short-change workers. The bill also increases the amount of fees companies must pay to the Pension Benefit Guaranty Corporation, which guarantees pension funding if companies can no longer afford their contributions. The agency is hundreds of billions of dollars in debt because fees have not kept pace with demand and several companies folded their pensions and turned them over to the PBGC in recent years.

Grassley's worker protections include new diversification rights for company stock in pension plans; new disclosure requirements for transaction suspension periods, or black-outs; and new disclosure through periodic benefit statements and retirement savings information.

The *Pension Protection Act of 2006* also makes permanent important retirement savings initiatives that Grassley was key to enacting in 2001. The *Economic Growth and Tax Relief Reconciliation Act of 2001* (EGTRRA) substantially increased pension and individual retirement account (IRA) contribution limits through 2010 as well as made other improvements in pensions and retirement savings through enhanced vesting, portability and reduced regulatory burdens. The bill approved today makes these favorable changes permanent.

The bill also makes permanent the saver's credit of up to \$2,000 to help low- and middle-income workers save money for retirement. Without this extension, the credit will not be available after 2006. The provision also indexes the saver's credit income limits to prevent this benefit from being

eroded by inflation.

“Pension savings is key to a better quality of life in retirement,” Grassley said. “Congress has approved generous tax incentives to employers to start up and keep retirement plans. If employers abuse the rules, it’s our job to fix the rules. And when companies accept tax breaks to offer retirement plans, they’re obligated to deliver, especially when a pension collapse could fall on the taxpayers to bail out. I’m glad we’re tightening the partnership between companies and their workers.”

For more information, please see:

JCX-38-06: Technical Explanation Of H.R. 4, The "Pension Protection Act Of 2006," As Passed By The House On July 28, 2006, And As Considered By The Senate On August 3, 2006

<http://www.house.gov/jct/x-38-06.pdf>