

Federal Update 2005-27

September 7, 2005

TO: NCTR Members

FROM: Cindie Moore, Washington Counsel

RE: Outlook for Congressional Action on Pension and Social Security Issues

Congress returned to Washington with the sobering prospect of funding disaster relief and recovery in the Gulf Coast region. Other pressing issues before Congress include the confirmation of John Roberts as Chief Justice of the U.S. Supreme Court to succeed the late William Rehnquist and the confirmation of a yet unnamed nominee for Associate Justice to replace retiring Sandra Day O'Connor. These priorities will rearrange some of the other issues Congress intended to address this fall, including Social Security. Legislation on the funding rules for private defined benefit (DB) plans are continuing to attract attention, however.

Pensions

By way of recap, the Senate Finance Committee approved a pension reform bill, the NESTEG Act (the National Employee Savings and Trust Equity Guarantee Act) on July 26. The bill includes helpful provisions for governmental plans (see Federal Update 2005-24). While the governmental provisions are not controversial, the bill's sections that address the funding of private DB plans are. On the House side, the Education and the Workforce Committee approved on June 30 a bill that concentrated on the funding of private DB plans (H.R. 2830). The House Ways and Means Committee, which has joint jurisdiction over private plans with the Education and Workforce Committee, has not yet acted. (Ways and Means has sole jurisdiction of governmental plans.) Chairman Bill Thomas (R-CA) wants to take up pensions, Social Security reform, and tax reform as a single package. Combining these issues into a workable package may take some time.

Now that Congress is back in Washington private DB plan issues are moving forward. The Senate Health, Education, Labor, and Pensions (HELP) Committee will mark up the Defined Benefit Plan Security Act on September 8. Although the text of the bill is not yet available, it will not likely affect NCTR members because the HELP Committee does not have jurisdiction over governmental plans.

Other action on pensions could occur as part of the budget reconciliation process. The fiscal 2006 budget bill approved earlier this year requires the two congressional tax writing committees (House Ways and Means and Senate Finance) to assemble by September 23 legislation to cut taxes by \$70 billion. The bill would provide a vehicle for passage of pension legislation, including the private DB funding provisions and the governmental provisions in the NESTEG Act. The Katrina relief and recovery effort caused Republican budget writers to decide on September 7 to delay the reconciliation

process for at least two weeks, however. Thus, action will not take place until October at the earliest.

Social Security

The President's top domestic policy goal – establishing private Social Security accounts – has dropped down on the congressional agenda because of Katrina and other issues. House leaders support H.R. 3304 by Rep. Jim McCrery (R-LA) that would establish private accounts funded from Social Security's surplus. It is not yet known whether Chairman Thomas will incorporate Mr. McCrery's bill with provisions to reduce Social Security's future benefit costs. Both lawmakers have stated they wish to include cost reducing measures in any final legislation, but no decision has yet been made.

The Senate continues to demonstrate no sign that it will unite around any legislative approach. Finance Committee Republicans failed to agree on the scope of a bill before the August recess. Although staff members continue to negotiate, no breakthroughs have occurred.

We will have a better idea of how fast the Katrina legislation and the Supreme Court nominations go forward in a few weeks. If they do so quickly, then Social Security legislation will move up the priority list. If not, the issue may not be addressed at all before Congress adjourns for the December holiday.