



Aetna Retirees Association, Inc
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ARA News

EXTRA!

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Congress Gives Retirees Stronger Pension Protection

Hello ARA Membership,

We are pleased to report that in an 11th hour rush before adjourning for their August recess, both houses of Congress passed reform legislation to strengthen the pension system. Attached is a message from Jim Norby, the President of the National Retiree Legislative Network (NRLN), providing additional details regarding the legislation.

We at the Aetna Retirees Association would like to thank those ARA members who contacted their Congressional representatives to urge enactment of this important legislation.

We would also like to applaud the hard work done by NRLN over a number of years to get Congress to enact this much needed legislation.

We'll have more information on this legislation in the next publication of "ARA NEWS", but we wanted to share this good news with you right away.

As always, we appreciate your support and help.

John Dwyer, ARA Chairman

Bob Gilligan, ARA President

The ARA is an association member of NRLN, but, as noted in the previous ARA Newsletter (Vol II, Ed 4), we recommend that our members consider personal memberships in NRLN as well.

Visit ARA's website for more info, additional information will be posted there as it becomes available: www.aetnaretirees.com

If you have an email address, please let us know by sending your address to AetnaRetiree@comcast.net. Sending this kind of communication by email is much faster and less expensive for ARA than using USPS paper mail.

From: Jim Norby, NRLN President
To: NRLN Grassroots Network Members
Subject: NRLN Grassroots Network Helps Get Pension Bill Passed

You have probably read or heard news reports that the U.S. Senate on Thursday night, August 3, passed the Pension Bill that was passed by the U.S. House on July 28. The Senators' vote was 93-5 and the Representatives voted 279-131. President George W. Bush is expected to sign the bill into law.

The passage of the Pension Bill by both houses of Congress represents a major accomplishment by the NRLN and our Grassroots Network members. You are to be commended for your determined effort to convince your Senators and Representatives of the urgent necessity to pass legislation tightening corporate pension funding rules and closing the loopholes that have enabled companies to accumulate huge pension liabilities. Over the past 19 months, NRLN Officers, Staff and Grassroots Network members called, met in person with and then sent 39,335 letters to elected representatives through the NRLN Capwiz website. Visits, emails, letters and countless phone calls to Capitol Hill offices and many face-to-face conversations with Senators and Representatives or members of their staffs paid off. Thank you!

In the legislative give-and-take process, I don't believe anyone ever gets everything they want in a bill. However, the NRLN certainly got a good number of its key issues included in the legislation that has passed.

First, the NRLN has always supported the basic thrust of the bill since it substantially tightens pension plan funding requirements, thereby greatly reducing the risk that plans will default to the Pension Benefit Guaranty Corporation (PBGC) in the future. Calculations of plan liabilities, asset values and the level at which plans must be funded have all become far safer for retirees. Most companies will have to fund 100 percent of their pension plan's liabilities, instead of the current 90 percent, within seven years. .

Second, the NRLN campaigned to reduce the negative affect that the five-year asset smoothing rule had on the timing and amount of funding a company had to add back to a plan after the assets plummeted due to a stock market crash. Instead of having to add plan assets to offset losses, companies, under the old law, were allowed a five-year smoothing period that shielded them from this obligation. As a result NRLN association members' plans reported overstated pension assets from 2000 - 2005. The new law reduces the smoothing period to a two-year period. This means companies will face having to add assets back after two years, instead of after five. A win for us!

Third, the business community—with the support of House Majority Leader Boehner—tried mightily but failed to retroactively legalize cash-balance conversions and the benefit "wearaway" it often inflicts on older workers. This would have negated lawsuits by retirees in several NRLN associations. The NRLN played a leading role in beating back any retroactive legalization -- and in preserving the Senate protections against "wearaway" for future cash balance conversions.

Fourth, corporate lobby groups attempted to greatly reduce the level at which a pension fund "surplus" can be transferred to offset corporate operating expenses for retiree health care benefits (Sec. 420 transfer). The NRLN had urged Senators and Representatives not to lower the transfer threshold of Section 420 of the Internal Revenue Code to the 115% in the original bill passed by the House in December 2005. While we would have preferred not to change the 125% that is in current law, we consider the final provision of 120% to be a victory for retirees. Since the calculation of pension liability is much more conservative under the new law, this may actually be a HIGHER threshold than under current law.

Fifth, pension plan disclosures to participants are improved, though not as much as we had hoped. For example, each year plans must affirmatively disclose their funding levels, and make extra disclosures if they are funded below 100%. These reports must be published in the form of statements to retirees within 120 days from the end of plan years. Today, we get nothing for 10 months, too late for taking action. Also, under the new law, detailed filings must be made available electronically. These new disclosure requirements in this law represent good progress and precedent we can build upon.

We applaud these provisions in the bill. Nonetheless, the bill also presents some troubling aspects. For example, the cash balance provisions are very broad and could present detrimental consequences to older workers as their plans are converted from defined benefit plans to cash balance plans. These so called "transition rules" could have been much improved and better defined.

The reason for the uncertainty about how the transition rules in the bill would affect older workers is that the conference took place behind closed doors, pushing aside many conferees who were entitled to be at the table. The process was subverted, and while the report carries with it some positive provisions, others could have been made much stronger.

Yet if it hadn't been for the pressure exerted by our Grassroots Network members, I'm convinced the legislation would have been much less favorable to workers and retirees—if there would have been a bill passed at all. I think this being an election year, the Senators and Representatives recognized the power of retirees at the ballot box and were afraid to go home on their August recess without passing a Pension Bill that provided some noteworthy protections for defined benefit pension plans.

Once President Bush signs the pension bill into law, the NRLN will redouble its focus and resources toward the passage of healthcare reforms, such as H.R. 1322 or similar legislation that will protect healthcare coverage for Americans, and at more reasonable costs. We will soon roll out a strong campaign supported by our membership and our dedicated Legislative Committee and very competent and dedicated Washington, D.C. staff. Most importantly, we will need your continued, strong grass roots support in communicating with your elected representatives. Let's keep it going strong!

Watch your emails for future NRLN Healthcare Action Alerts.