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Congress' pension reforms should help retirees, others

By Paul Monies, Business Writer

Workers and retirees in traditional pension plans, as well as younger workers with 401(k)s, should benefit from reforms in pension laws approved recently by Congress, local retirement experts say.

uals entering retirement."

The pension reforms may spell the end of traditional pensions that provide a set amount of money each month to retirees. Many older companies such as General Motors Corp., AT&T Inc. and Delta Air Lines Inc. are finding it harder to keep

gress, local retirement experts say.

The 907-page Pension Protection Act of 2006 awaits President Bush's signature after the U.S. Senate passed a compromise bill late last week.

The law attempts to shore up the traditional pension system and grants new incentives to both employers and workers with newer 401(k)s, Individual Retirement Accounts and other so-called "cash-balance" plans.

"The bill continues Congress' recent movement of making retirement plans more flexible and therefore more appealing to taxpayers," said Steve Troutman, a certified public accountant and tax manager with Murrell, Hall, McIntosh & Co. PLLP in Oklahoma City. "Congress has also been attempting to make employer-sponsored plans more enticing to employers by simplifying compliance and removing traps that sometimes were unintentionally violated.

"Congress recognizes the lack of saving by most Americans and is attacking the problem from both sides: business and individual."

Among the changes:

- Identifying and stabilizing traditional pensions through increased contribution requirement and more stringent benefit availability.
- Strengthening the Pension Benefit Guaranty Corp., a quasi-government agency that takes over the pension plans of troubled or bankrupt companies. The corporation has been under pressure in recent years because of bailouts for companies in the steel and airline industries.
- Making it easier for companies to automatically enroll employees in 401(k) plans, usually at nominal amounts of between 1 percent and 3 percent of their paychecks.
- Allowing early 401(k) withdrawals without penalties for workers who can show "hardships" or unforeseen financial emergencies.
- Permitting retirement plan providers of 401(k)s, IRAs, etc. to offer personalized investment advice to individuals.

Kelly Burley, spokesman for AARP Oklahoma, called the law "a mixed bag." Many workers nearing retirement are finding they don't have enough savings or pension benefits to maintain their standard of living, he said.

"The AARP is pleased with protecting retirement benefits and enhancing incentives for retirement savings," Burley said. "But there are a lot of different components to retirement security, including adequate health insurance and Social Security. It's important that all of those things are strong for individ-

uals inc. are finding it harder to keep their pension commitments to older workers.

Smaller family-owned companies may be the only ones left that take advantage of traditional pensions, said accountant Bill Lohrey with Tulsa's Lohrey & Associates.

ates.

"They would still get a punch out of those pensions," Lohrey said of smaller companies. "But the day of (set) payments may be over for large companies because they are harder to define and become more of a liability."

Unionized companies still may provide traditional pensions. But salaried workers or those in management ranks may see their defined-benefit pensions converted to cash-balance plans such as 401(k)s, moves recently made by Verizon Communications Inc. and Alcoa Inc. It's all part of shifting more of the responsibility of retirement from companies to individual workers.

"We've known for several years that traditional pensions were going away," said Melinda Warren, executive vice president at Retirement Investment Advisors Inc. in Oklahoma City. "Especially with the problems with the airlines, companies are trying to get more enrolled in 401(k) plans, where the client is more responsible for their retirement."

Gloria Wells, a Lucent Technologies Inc. retiree in Oklahoma City who spent 33 years with the company and its forerunners, said the pension reform bill is a good first step.

Many Lucent retirees have been lobbying Congress to allow companies such as Lucent with overfunded pension plans to use some of the excess money to fund retiree health care. The new law lowers the pension overfunding requirement for health care transfers to 120 percent from 125 percent under current law.

"I still have a problem with that, because the plans tend to get underfunded because of drops in the stock market," Wells said. "The 120-percent level is not enough, maybe 180 percent is better. The law is not ideal, but it's at least a positive first step toward helping retirees."

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