

Treasury says cash-balance pensions are OK

By Christine Dugas, USA TODAY

Worker advocates expect employees to complain loudly about new Bush administration proposals in support of a controversial type of pension plan.

In a long-anticipated 75-page document, the Treasury Department on Tuesday said that so-called cash-balance pension plans do not discriminate against older workers. The proposed rules also address conversions of traditional pensions to cash-balance plans. (**Background:** [Young workers gain most](#))

Critics say they don't do enough to protect benefits that workers have accrued. Under the proposed rules, it still would be possible for workers to reach a plateau for several years after a conversion without earning new benefits, says David Certner, AARP's director of legislative affairs.

William Sweetnam, benefits tax counsel at the Treasury Department, says the proposed guidelines would give employers flexibility without hurting workers. They are now subject to a 90-day comment period.

Worker and retiree representatives — including AARP, the Pension Rights Center and the Coalition for Retirement Security — say they expect a flood of worker comments and protests.

"I think there will be a rekindling of the kind of protests that occurred two or three years ago," says Karen Friedman at the Pension Rights Center.

IBM's conversion to a cash-balance plan was the focus of worker opposition in 1999 that resulted in congressional hearings and lawsuits. Near the same time, the IRS stopped issuing approvals for new cash-balance plans.

Rep. Bernie Sanders, I-Vt., was swamped by calls from irate IBM workers in 1999. He calls the proposed rules an "assault on workers."

But they are good news for employers. The move "breaks a 14-year logjam that created legal uncertainty and misguided lawsuits for large employers," said the ERISA Industry Committee, an industry group.

Companies have been abandoning traditional pensions in favor of less expensive cash-balance and 401(k) plans. They argue that cash-balance plans are a better fit for today's workers. They provide portable benefits that accrue evenly over a working career. By contrast, traditional pension

benefits start low and snowball in later years.

By law, employers can reduce future benefits, but benefits that already have been earned are protected. Yet, by evening out the accrual of benefits in midcareer, longtime workers who started out with low benefits are deprived of the big bang at the end of their careers that they were promised. Worker advocates say that's not fair.

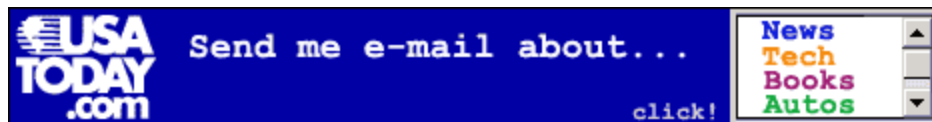
Kathi Cooper agrees. She has worked at IBM for 24 years and is lead plaintiff in the pension lawsuit. Many IBM workers accepted lower pay than the industry standard because the benefits were so good, and they feel betrayed, Cooper says.

Countless baby boomers "are now in the same boat," she says.

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