



Leo W. Gerard
International President

July 28, 2006

VIA FACSIMILE

U.S. House of Representatives
Washington, D.C. 20515

Dear Representative:

I am writing to express the opposition of the United Steelworkers (USW) to the proposed Pension Protection Act of 2006 as it has reportedly been agreed to by the conference committee.

While the conference committee has yet to issue an authoritative report of its decisions, to say nothing of statutory language, it is clear that the Pension Protection Act will be the most comprehensive pension legislation of the last twenty years. Unfortunately, it will also be the first legislation since the passage of ERISA almost thirty-two years ago to mandate the loss of future pension benefits should an employer fail to adequately fund the plan.

The USW has supported efforts to improve the funding of defined benefit plans and the financial position of the PBGC, and we continue to do so today. But our support throughout has been for measures that encourage the maintenance of defined benefit plans and refrain from putting the cost of reform on the backs of individual employees and pensioners. **The Pension Protection Act of 2006 fails these tests. In fact, at a time when defined benefit pension plans are being frozen by healthy companies and terminated by companies in bankruptcy, the proposed bill does little to stop the erosion of retirement security.**

The benefit restriction provisions of the bill are particularly severe and, in the case of shutdown benefits, virtually eliminate protections afforded by current law. The two most significant restrictions arise when a plan's funded percentage falls below 60 percent. In that event, future benefit accruals are frozen, and if a plan offers shutdown or other contingent event benefits, the payment of those benefits is prohibited. These restrictions effectively reduce the total compensation paid to workers by modifying their promised pension benefits. To compound the problem, even if a plan's funded percentage should return to above 60%, the restoration of previously frozen or prohibited benefits requires adoption of a plan amendment, an action an employer may be unwilling to take.

While the freeze of benefit accruals is disruptive, the inability to pay shutdown benefits will devastate workers who lose their jobs. Americans face great job insecurity today, particularly in the manufacturing sector and some of those workers are fortunate to be covered by defined benefit plans furnishing the safety net of a shutdown pension. **Under the conference agreement, however, some workers who suffer a plant closing will receive none of their long-expected benefits if their payment would bring a plan below a new and arbitrary funding threshold.** No other type of retirement benefit is treated this way, and under

today's rules, this singling out of shutdown pensions for such adverse treatment would violate ERISA.


To add insult to injury, the conference product will limit PBGC guarantees just when plan participants will need them the most. Many terminations of under-funded plans will occur during an employer's bankruptcy. Under the proposed new rules, even though a company may be in bankruptcy for years before it terminates its pension plan, that termination will see PBGC guarantees calculated as though the plan had terminated on the day the bankruptcy case began. This means that the termination will strip workers of all the pension rights they had earned over the life of the bankruptcy case. **It is no exaggeration to say that this will expose some retirees to the nightmare of losing their early retirement benefit in its entirety in the middle of what was supposed to be their "retirement."**

For those employees who are able to qualify for shutdown benefits under the proposed legislation, there is still another hurdle to overcome. The conference product subjects shutdown benefits to a five-year phase-in period for the PBGC guarantee of those benefits, and that phase-in only begins to kick in at the time of shutdown (even though the plan may have offered the benefit for decades before). Together with the "deemed" termination date rule, the new shutdown rule means that the PBGC will never guarantee benefits when a shutdown occurs after a bankruptcy is filed, the time it is most likely to happen.

Finally, the new funding rules themselves are problematic. They will lead to more volatile contribution requirements, rather than the predictable and stable obligations that are needed. The changes, we believe, will undermine retirement security by discouraging employers from continuing their traditional defined benefit pension plans.

For the reasons stated above, the United Steelworkers strongly opposes the proposed Pension Protection Act, and we ask you to do the same.

Sincerely,



Leo W. Gerard
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