

Social Security Debate Widens

Pensions, Savings Join The Equation

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WASHINGTON -- Social Security reform has moved from Washington's main political arena to its backrooms, and has become a broader, more complex fight.

Lawmakers are now talking about stabilizing the nation's increasingly shaky private pension system and boosting the savings rate as part of a larger effort to strengthen retirement security.

In public, the highly political battle over Social Security rages on, centered largely on whether to allow future beneficiaries to carve out personal accounts. Wednesday, for instance, President Bush gave his Social Security pep talk to a builders' group at a downtown Washington hotel as a coalition of organizations opposed staged a march and rally outside.

But in private Capitol Hill meetings, data-drenched hearings and quiet conversations among lawmakers, a slow, complex, often excruciating process is grinding along.

"We're in a whole new ball game now," said former Connecticut Rep. Barbara B. Kennelly, president of the National Committee to Preserve Social Security and Medicare.

This much appears clear:

Personal accounts that replace part of the guaranteed benefit, the centerpiece of Bush's plan, are unlikely to win congressional approval this year.

"The president doesn't have anything resembling broad support for that," said Jason Furman, senior fellow at Washington's Center on Budget and Policy Priorities. It would take 60 votes to break a filibuster in the Senate, and its 44 Democrats are generally united against any such plan.

Key lawmakers are eager to include pension reform and incentives for savings as part of any bill.

"We're finding time also to be concerned about the other legs of that three-legged stool, the pension plans and the personal savings," said Sen. Blanche L. Lincoln, D-Ark., a view many key Republicans share.

A key House committee chairman introduced legislation Thursday to strengthen the pension guaranty system, and it will get a serious look this summer.

Payroll tax increases are unlikely, but raising the amount of income taxed remains an option.

"It would be viable among a lot of Democrats," said Rep. John B. Larson, D-1st District, a member of the House Ways and Means Committee, which is taking the lead on retirement reform. In the Senate, Republican Lindsey O. Graham, R-S.C., is the chief promoter of this idea to raise the current \$90,000 limit to \$150,000 or higher.

Bill-writers will have to find a way to keep any reform from hemorrhaging federal money. Estimates of the current fiscal year's deficit are as high as \$427 billion, meaning Congress would be reluctant to back any expensive breaks for savings or retirement.

What's creating this altered landscape are polls that show Bush's 6-month-old crusade to build support for Social Security reform and personal accounts is languishing, even among the 30-and-under crowd he has targeted.

While the approval numbers for the concept of personal accounts are high - 61 percent in last month's Pew Research Center poll of 21- to 30-year olds - those figures drop when people learn more about the plan.

Bush's Capitol Hill loyalists have spread the word that they ultimately can probably accept some reform without personal accounts, but Democrats want to hear that publicly before they start dealing.

The private investment accounts - routinely reviled by seniors, whom polls show are overwhelmingly against them - have proved to be "a lightning rod," said David John, senior fellow at Washington's Heritage Foundation.

Go beyond all the rhetoric, though, and Democrats and Republicans are often speaking the same language about the need for retirement reform.

"There are three things that give people a sound retirement," said Senate Minority Leader Harry Reid, D-Nevada. "No. 1, people should have private savings. No. 2, we have Social Security, but also a pension.

"So we're willing," he said, "to go and deal with pensions."

In the House, Ways and Means Chairman Bill Thomas, R-Calif., is thinking much the

same way.

Thomas is the most important player in the House version of this drama, because he's known as someone with the muscle and the will to slice through the thickets of competing interests and produce legislation.

He shepherded Bush's tax cut and Medicare reforms throughout the House, and now he's talking about a retirement package.

In a talk to the U.S. Chamber of Commerce this week, he elaborated on why he wants any bill to deal with the three-legged stool of retirement security: pensions, Social Security and savings.

Too often, he said, each area is dealt with individually. "That's like having three people go off, create the best leg they can think of, and come back and find the legs may not match," Thomas said.

He has not yet offered specifics, and getting agreement on such complex matters will take time. There will be more Ways and Means subcommittee hearings next week on Social Security and pension matters, but Thomas' one-time aim to write legislation this month now appears unlikely.

Complicating the effort is the eruption of concern about private pensions over the past few weeks.

Since a federal judge in May permitted United Airlines to default on pension obligations, meaning the federal Pension Benefit Guaranty Corp. is responsible for paying the benefits, Congress has held a series of hearings. The PBGC, which had a \$23.3 billion deficit last year, is expected to pay only two-thirds of the United benefits.

"The airline pensions were supposed to be a promise to the workers," said Sen. Charles E. Schumer, D-N.Y. "You work this many years and you get a pension."

The General Accounting Office suggested the problem could stretch much further. "While most pension plan funding levels were stable and strong throughout the strong economy of the mid-to-late 1990s, by 2002 more than half of the 100 largest plans were underfunded," according to a report from the Government Accountability Office. Thursday Committee Chairman John A. Boehner, R-Ohio, proposed legislation to strengthen the system. Employers would pay higher premiums to the PBGC, increases that would be phased in over several years. The White House earlier this year wanted to raise premiums more rapidly.

Thomas has indicated that any legislation dealing with Social Security also should deal with the pension issue - as well as encourage people to save more, perhaps by allowing tax incentives that encourage the expansion of 401(k) programs and other retirement plans.

In a three-legged stool arrangement, Social Security "is the easy part," said John of the Heritage Foundation, the piece least in need of a quick fix. Its trustees estimate its cash flow will turn negative in 2017 and its trust fund will be exhausted by 2041.

To Sen. Byron Dorgan, D-N.D., that's a long way off, and that's why personal accounts are not a high priority.

"We have all kinds of serious retirement security issues that frighten many Americans," he said, "but almost exclusively, the president's interest is in talking about borrowing trillions, sticking it in the stock market or sticking it in some other risky investments and then cutting future Social Security benefits."

The White House says any private investments would be limited to less risky ventures, and no one born before Jan. 1, 1950, would see their benefits cut.

So far, the administration is not giving up, and the public rhetoric remains heated. "My strategy is pretty simple," Bush said in Washington.

"Explain the problem to the American people, and keep explaining it and explaining it, and assuring seniors that you're going to get your check. And then at some point, the people of this country are going to say to Republicans and Democrats alike, 'Why aren't you doing something about the problem?'"

But there's this hint that the White House knows there's more to this fight than a duel of political gladiators.

White House Press Secretary Scott McClellan recently was asked about progress on Social Security.

McClellan made no claims of impending victory or demands for quick action. Instead he said: "Sometimes it takes time to get these things done. These are difficult issues."

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