

Publications

# The National Employee Savings and Trust Equity Guarantee Act (NESTEG) (as favorably reported out of the Senate Finance Committee on 7/26/05)

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PUBLISHED

07/29/2005

SERVICES

## Senate Finance Committee Approves Major Package of Pension Reforms

On July 22nd, the Chairman of the Senate Finance Committee, Chuck Grassley (R-IA), and Ranking Member, Max Baucus (D-MT), released an updated version of the National Employee Savings and Trust Equity Guarantee Act (NESTEG). The updated version of the NESTEG includes a number of the defined contribution plan reforms that were largely driven by the highly-publicized corporate scandals involving Enron, Worldcom, Global Crossing and the like. Many of these reforms were favorably approved by the Finance Committee in the 108th Congress. Significantly, the bill also includes single-employer pension funding reforms that generally mirror the Administration's funding reform proposal unveiled in January of this year.

*On July 26th, the Senate Finance Committee favorably reported NESTEG after modifications to the July 22nd proposal were adopted during the mark-up. Such modifications primarily impacted the funding reform proposals and included, among others, the treatment of cash balance and hybrid pension plans under the age discrimination rules, requirements for cash balance conversions, and special relief from the new funding rules for airlines. There were no amendments filed at the July 26th mark-up, but it is anticipated that a number of amendments will be offered if and when the bill goes to the Senate floor. Action by the Senate Finance Committee may be characterized as the third piece of the puzzle; with the House Education and*

*the Workforce Committee favorably reporting the Pension Protection Act to the House of Representatives on June 30th and the Bush Administration weighing in earlier this year. The remaining pieces of the puzzle are activity in the Senate Health, Education, Labor, and Pensions (HELP) Committee and the House Ways and Means Committee. The HELP Committee has publicly stated that it will mark-up a measure in September, and the Chairman of the House Ways and Means Committee, Bill Thomas (R-CA), has reiterated that his Committee will fold the funding reforms into a larger Social Security and retirement reform bill that is targeted for consideration some time this fall. In September, the tax and labor Committees will also begin action on budget reconciliation legislation that, among other things, is likely to include increases in PBGC premiums.*

As indicated in our previous legislative updates, there are still opportunities to educate Congressional staff on the implications of the funding reforms. In particular, discussions surrounding the use of credit balances and the treatment of cash balance plans remain fluid. In addition, the Senate HELP and House Ways and Means Committees will play a vital role in shaping any final version of pension funding reform in the 109th Congress, which still leaves precious time to weigh in with Members of those Committees.

[The National Employee 68KBDownload](#)