

## PENSIONS &amp; RETIREMENT

**Democrats Offer Savings Plan for Workers; Social Security Would be Untouched**

Republicans say minority party ignores most important retirement program, warn hidden tax increase 'inevitable'

By ALEX WAYNE, CQ STAFF WRITER

Democrats outlined a "retirement security" plan Tuesday that would ignore Social Security and increase taxes, earning criticism from Republicans who want to create individual investment accounts under the national retirement program.

House Democratic leaders described the plan as an alternative to a "retirement bill" that Bill Thomas, R-Calif., the chairman of the House Ways and Means Committee, is writing.

The Democratic plan includes a number of tax credits intended to encourage companies to make retirement savings plans more widespread and to encourage workers to contribute to them. It also would overhaul bankruptcy and pension laws to make it more difficult for companies to dump their pension plans, Democrats said.

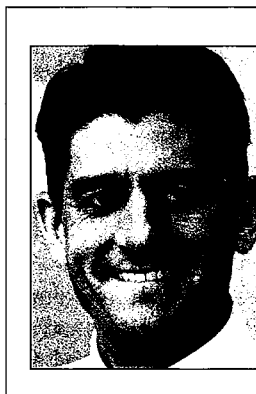
But the plan makes no mention of Social Security. President Bush has made overhauling the program his top domestic priority.

"This isn't about the solvency of Social Security," said House Minority Leader Nancy Pelosi, D-Calif., at a news conference. "It's about the security and retirement of the American people."

By offering their plan, Democrats sought to rebut criticism — including some from within their own party — that they were ignoring retirement issues. While acknowledging Democrats' entrance into that broader debate, Republicans still criticized them for declining to address Social Security.

"I'm encouraged that Democrats today finally addressed the issue of retirement security," said Rep. Paul D. Ryan, R-Wis. "But they missed the most important leg of the three-legged stool, from the government's perspective," he added, using a common metaphor for the three major sources of retirement income — Social Security, private savings, and corporate pensions.

Republicans worked Tuesday to turn the public's focus back toward their plans for Social Security. Several GOP lawmakers held a public discussion in the morning with what they called "young influentials" — a group of young Republican activists, lobbyists, commentators and celebrities who support creating individual investment ac-



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counts in Social Security.

Republicans said they expect the House to vote in September on a bill (HR 3304) to create accounts from Social Security's surplus.

"By the House passing the bill, that makes it easier for the Senate to bring up the bill and act on it," Ryan said at the morning event.

At the White House, Bush spoke for about 40 minutes to business lobbyists and a student group who are promoting his Social Security proposals, attendees said. He emphasized that he believes the government will complete an overhaul and that he considers individual accounts integral to it, said Jade West, a senior vice president at the National Association of Wholesaler-Distributors, who attended.

Democrats have refused to negotiate a Social Security overhaul unless Bush drops his proposal for individual investment accounts. And they emphasized on Tuesday that their retirement plan is not a Social Security counter-offer.

#### Democrats Outline Goals

The Democratic plan has two main goals: increasing tax-advantaged retirement savings and shoring up private pension programs.

It would use a variety of tax credits to encourage companies to offer 401(k) plans to their employees, automatically enroll workers in the plans, and convert their balances into lifetime annuities when workers retire, so they do not outlive their assets. It would use more tax credits to encourage workers to contribute to their retirement accounts, including a government

match of the first \$1,000 saved by couples earning \$50,000 or less.

The Democrats' plan would require companies to disclose more financial information about their pension plans to both employees and investors and would make it more difficult for companies to terminate their pension plans after filing for bankruptcy.

Pelosi estimated the plan would cost \$75 billion over 10 years, but said it would be fully offset by ending "tax incentives for shipping jobs overseas," which she estimated would total \$110 billion over the same period.

A spokesman for House Speaker J. Dennis Hastert, R-Ill., seized on Pelosi's estimates. "America has now seen the Democratic spending spree, but where is the tax increase on American families?" said the spokesman, Ron Bonjean. "We know it's there; we know it's hidden and we know it's inevitable from the House Democratic leadership."

A spokeswoman for Pelosi, Jennifer Crider, said the plan contemplates reversing several tax regulations that American companies with foreign operations use to reduce their U.S. tax bills. For example, businesses now can indefinitely defer paying taxes on their foreign earnings.

"Republicans are so used to their own deficit spending and irresponsible budgeting they have forgotten what a responsible, fully paid-for retirement security plan looks like," Crider said. ♦

Michael R. Crittenden contributed to this story.