

# Legislative Initiatives: Save Private Pensions

*An indication of the new seriousness of the U.S. Congress on questions of economic policy, comes from the series of pieces of legislation which have been introduced into the 109th Congress either to stop the Administration's most egregious looting policies (such as Veterans Administration cuts, or pension cuts), or to initiate much-delayed infrastructure projects. Notably, a growing number of these bills is gaining bipartisan sponsorship.*

*EIR will be compiling an overview of this legislative agenda in coming weeks. We begin with the bills introduced to deal with the dumping of private pensions.*

Bills have been introduced into the House of Representatives and the Senate to put a six-month moratorium on the dumping of private pensions, including those of United Airlines, on the Pension Benefit Guaranty Corporation (PBGC).

The House bill, initiated by Reps. George Miller (D-Calif.) and Jan Schakowsky (D-Ill.) on May 12, is H.R. 2327. Its purpose is "To impose a 6-month moratorium on terminations of certain plans instituted under Section 4042 of the Employee Retirement Income Security Act of 1974 in cases in which reorganization of contributing sponsors is sought in bankruptcy or insolvency proceedings." The Miller-Schakowsky bill already has 89 cosponsors, three of whom are Republicans (Henry Hyde [Ill.], Donald Manzullo [Ill.], and Ron Paul [Tex.]).

The Senate bill, S. 1158, has been initiated by Senators Ted Kennedy (D-Mass.), Daniel Akaka (D-Hi.), and Frank Lautenberg (D-N.J.). It mirrors the House bill, and is entitled the "Stop Terminating Our Pensions Act."

Denied a hearing date in the House by Committee on Education and the Workforce Chairman John Boehner (R-Ohio), Representative Miller called an "Online Congressional Hearing" on May 23, sponsored by the Democratic Caucus of the Committee, which he and Representative Schakowsky addressed, along with leading labor officials, Senator Kennedy, and thousands of working people, mostly from United Airlines. We include some significant statements from that hearing below.

## **Opening Statement by Rep. George Miller**

*Miller is the Ranking Democratic Member of the House Committee on Education and Workforce.*

I want to thank everyone who is participating in this Online Congressional Hearing on a very serious problem facing not

only the airline industry, but the pension plans of millions of American men and women who have labored for years on the expectation that the promise made to them—of a secure retirement—would be kept.

The subject of this first-ever Congressional Online Hearing is the decision of United Airlines to abruptly terminate its traditional pension plan and dump \$6.6 billion of losses onto the Pension Benefit Guaranty Corporation (PBGC), the public agency that is supposed to guarantee private pensions for retirees. The stakes for 120,000 United Airlines employees and retirees are very high—they face deep and permanent cuts in their retirement benefits if the PBGC takes control of United's pension plans. The takeover of the plan will result in pension benefit cuts averaging 25% to 50% for United's employees and retirees—a loss of over \$3 billion for these men and women who have worked for years with the promise of a secure pension.

United employees have been asked repeatedly to give wage concessions to help United to improve its financial condition. And they have done so. Before United decided to terminate its pension plans, its workers were negotiating alternatives to ending those plans. The Pension Benefit Guaranty Corporation itself studied United's finances and determined that the company could afford to continue at least one of its four plans.

We need an independent review of United Airlines' ability to continue its plans. United employees should be full participants in the discussions about their own retirement. Congress and the American taxpayer, who could be called upon to pay out billions of dollars to cover pension plans that have been underfunded and sent to the PBGC for payment, deserve accurate information.

Last week Rep. Jan Schakowsky and I introduced legislation, H.R. 2327, to impose a six-month freeze on any company in bankruptcy trying to dump its pension obligations onto the PBGC.

This short-term legislation—as well as broader action on pension reform—is critical to millions of Americans who want assurance that their own companies will make good on their pension promises, and not try to dump them off on the taxpayers or other companies as a way of restructuring with fewer liabilities.

All the other airlines will look to United's actions to see if they can cut their own costs by dumping their workers' pensions. I am very concerned that other industries that face economic difficulties, or which have drastically underfunded their pension plans, will follow United's example and pass their debts on to the taxpayers and their own employees.

For too long, we have been urging the Congress and the Administration to address this very serious pension underfunding crisis. Unfortunately, they have been more intent on privatizing Social Security and cutting retirement benefits, despite our warnings, and therefore no action to help employees has been taken.

If ever anyone needed an example to show why working men and women cannot suffer Social Security benefit cuts, as the President is recommending, you need look no further than the example of United Airlines.

I join many of those who will testify in this hearing in urging the Republican leadership in Congress and the Bush Administration to support H.R. 2327, and allow United employees to go back to the bargaining table on the future of their pension plans. During the six-month freeze, Congress must pass urgently needed pension reforms to

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protect millions of employees whose nest-eggs are very much at risk, and address many other failures of the pension system that place the retirement security of millions of Americans at risk.

It is time for the Bush Administration and its Labor Department to start defending the economic rights of the millions of working men and women who depend on the Administration to ensure that they are treated fairly in the workplace. That is not happening today and employees are suffering for it.

### **Testimony of Robert Roach, Jr.**

*Roach is General Vice President of Transportation for the International Association of Machinists and Aerospace Workers.*

Thank you, Congressman Miller, for giving me the opportunity to testify today on a matter that will have a profound impact on America's working families. United Airlines and the U.S. airline industry are trying to pull the retirement rug out from more than 100,000 United employees by terminating their pension benefits. That is wrong and Congress should not allow it to happen.

We support your efforts to stop corporate America's attempt to dump billions of dollars of their pension responsibilities onto the U.S. taxpayer and rob millions of workers of a retirement with dignity after a lifetime of work.

As the General Vice President of Transportation for the International Association of Machinists and Aerospace

Workers (IAM), AFL-CIO, I represent more than 150,000 active and retired members who work in America's airline and railroad industries.

Furthermore, as a former TWA employee who had his own pension terminated, I know first-hand how it feels to have a company break its pension promise.

Our airline members are dedicated professionals who repair airplanes, take reservations, greet passengers at the ticket counter and gates, keep passengers safe in the air, and unload aircraft and perform the behind-the-scenes jobs that make commercial aviation the safest mode of travel in history.

IAM members and thousands of other airline employees have made extraordinary sacrifices since the Sept. 11 attacks that struck at the heart of our industry. Airline workers have endured bankruptcy proceedings, pay cuts, short staffing, and all major hardships. Yet they've stayed at their jobs and keep the public safe when they fly. Our members have struggled through tremendous hardships, yet they give their all, day in and day out. As evidence, United Airline entered bankruptcy in 2002 but remains a leader in on-time performance.

And now, our members have had enough.

Dumping pensions is just one of a long list of sacrifices airlines have forced on our members. Our members take pay and benefit cuts, but management repeatedly gets raises and bonuses. It's not right and it's time airline workers get treated fairly.

With the deck stacked against them, our members have persevered. But now it's time for justice. Airline employees have paid too high a price and they need help. As members of Congress, you can provide that help.

From the heart-wrenching stories our members and other airline workers will put before this hearing, you will hear the real consequences of airline management's actions. Taking over airline pensions may be a balance sheet problem for Pension Benefit Guaranty Corporation accountants, but for our retirees it means a choice between having to forego medicine, or working until death to make ends meet.

And for retirees with serious health problems, cutting retiree health benefits literally means life or death for them. . . .

American can't have a safe and efficient air transportation system without career airline employees. And you won't have that, if airline management is allowed to go back on promises and responsibilities to its workers.

Congress must send a clear message that dumping billions of dollar of their responsibilities onto the U.S. taxpayers is wrong and won't be tolerated. If United is allowed to terminate its pension plans, other corporations will surely follow suit.

H.R. 2327 is a start in that direction. We applaud your efforts to head off this pension disaster and thank you for the opportunity to speak on behalf of the thousands of employees who depend on you and your colleagues to help them achieve a retirement with dignity.