

Politicians Sign Up Against UAL Pension Moves

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By CAROLINE DANIEL - Financial Times (London, England)

CHICAGO - More than 100 congressmen and nine senators have signed a draft letter being circulated in Washington that expresses "strong opposition" to United Airlines' plan to terminate its defined benefit pension plans and calls for it to rethink.

The letter, addressed to Glenn Tilton, United's chief executive, could be sent later this week. It underlines growing political concerns, including within the White House, about the impact of a termination on workers who could lose benefits and on the agency that insures defined benefit plans, which could have to take on Dollars 6.4bn in pension liabilities.

"While we understand that the airline faces difficult challenges in emerging from bankruptcy, the employees and retirees have already agreed to job reductions and significant concessions in their wages and benefits," the letter says. "We strongly believe it is unfair to insist that their retirement security be sacrificed as well."

The letter notes that Congress offered reforms in April to help airlines by giving them more time to make cash contributions to fill in the holes in their pension plans. "Members of both political parties supported this relief because we believed, based upon representations by you and other airline executives, that this action was necessary to preserve the pensions funds."

United's termination, the largest ever proposed, would widen the Dollars 11.2bn deficit of the Pension Benefits Guarantee Corporation. The agency also faces another Dollars 2.1bn in liabilities from US Airways, which filed for bankruptcy a second time and has warned it might have to cancel its remaining defined benefit plans.

The congressional campaign has been co-ordinated by George Miller from California and **Jan S chakowsky** from Illinois, and by senator Ted Kennedy. It is backed by the International Association of Machinists, who have been fierce critics of United.

The IAM has met White House officials to discuss ways to prevent a termination. "The White House does not want to see a termination before the election. They are meeting daily on this issue," said one person involved with the campaign.

However, United, which last week said it needed to cut a further Dollars 1.2bn in annual costs, is not expected to terminate its pensions before the US election. It has not yet filed the request

with the PBGC and it takes at least 60 days after that to terminate a plan.

United is seeking to save Dollars 3bn during the next four years by cancelling its plans and replacing them with cheaper defined contribution plans. It also plans to introduce profit-sharing, directing any gains towards bolstering the replacements plans according to one adviser.

Last week the PBGC called for strengthened rights in the bankruptcy court where it is typically the largest unsecured creditor.