

MERGER



WATCH

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IAM, PBGC Discuss Mergers and Pensions

General Vice President Robert Roach, Jr. and members of the IAM's Transportation Merger Committee met this week with representatives from the Pension Benefit Guaranty Corporation (PBGC) to discuss the effect that consolidation among the nation's major airlines could have on pension plans. The PBGC is the quasi-government agency charged with insuring defined benefit pension plans.

"The PBGC is very concerned about the consequences of a merger between two major airlines that have received relief from the Pension Protection Act," said GVP Roach. "If the merged carrier ultimately fails and leads to additional bankruptcies, the agency will be left with in excess of SEVEN BILLION DOLLARS (\$7,000,000,000.00) worth of additional pension obligations."

Of the major airlines rumored to be merger candidates, only Continental Airlines and American Airlines currently sponsor active traditional defined benefit pension plans. United Airlines has terminated their single employer pension plans and Northwest Airlines has frozen their company-sponsored

plans. Delta's pilot pension plan was terminated and forced onto the PBGC when the carrier was in bankruptcy, and the airline has frozen its other pension plans.

A frozen plan remains the obligation of the company that sponsors the plan, but employees no longer accrue benefits under the plan. Terminated pension plans are administered by the PBGC. The PBGC's funding comes from insurance premiums and the assets that are acquired through pension terminations.

"We don't currently have the resources to keep all of our future commitments," said Charles E.F. Millard, director of the PBGC, in a recent press statement. The PBGC had a \$14 billion deficit at the end of fiscal year 2007. Millard believes the PBGC has only a 57% likelihood of full funding within 10 years.

IAM members at United and Northwest participate in the IAM National Pension Plan (NPP) following their company-sponsored plans being terminated and frozen, respectively. Continental's IAM-represented Flight Attendants have negotiated automatic participation in the NPP if their company sponsored plan becomes frozen or terminated.

The IAM reminded the PBGC that United Airlines is prohibited from sponsoring a single-employer pension plan, and that if United merged with an airline that had a single-employer pension plan (American or Continental), that airline may have to freeze their pension plan before integrating United's employees.

Congressman Calls for Merger Hearing

Following a Capitol Hill meeting with the IAM's Transportation Merger Committee, Congressman Keith Ellison (D-Minneapolis) has called on the Chairman of the Congressional Anti-Trust Taskforce (in conjunction with the Judiciary Committee) to hold a Congressional hearing on the impact of a potential merger between Northwest Airlines and Delta Airlines.

"This impending merger is likely to have a huge impact on the employees of Northwest Airlines, as well as the flying public, and the welfare of our local communities," said Ellison. "It is imperative that Congress carefully examine each aspect of the proposed merger before allowing it to proceed."