TESTIMONY OF

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CWA, AFL-CIO

BEFORE

THE COMMITTEE ON FINANCE

U.S. SENATE

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Thank you, Mr. Chairman, for the invitation to testify today on the current serious pension crisis. I appreciate having the opportunity to share our views with the committee on this issue, an issue that has such a profound impact on hundreds of thousands of working women and men in the aviation industry. The pension crisis is especially important to the women and men who serve as flight attendants.

My name is Patricia Friend and I am the International President of the Association of Flight Attendants-CWA, AFL-CIO. AFA represents 46,000 active flight attendants at 24 airlines. Our active and retired flight attendants at United Airlines – numbering approximately 28,000 – are currently the only flight attendants at a major airline represented by AFA with a defined benefit pension plan. Let me repeat that only one, United Airlines, has the vestiges of a defined benefit plan.

As you all know, that changed early last month when a bankruptcy court judge ruled, at the request of United Airlines management, to approve an agreement between United and the Pension Benefit Guarantee Corporation under which the agency is expected to terminate our pension plan. We were shocked and outraged by this decision after the earlier announcement by the PBGC that our plan "can and should be maintained" as United emerges from bankruptcy. Instead of defending and preserving our pension plan, they announced in bankruptcy court that they intended to take over the flight attendant pension plan.

What changed? Why did the agency reverse course and abandon the flight attendant pension plan? There can be only one explanation: United agreed to pay the agency 1.5

billion dollars to settle its bankruptcy claim. That is not an outcome that this Congress ever envisioned when it enacted ERISA. That is an abuse that leaves thousands of flight attendants with only a fraction of the retirement they have earned.

We remain resolute in our determination to save our pension plan at United. For me, as a United flight attendant, and our members at United, both active and retired, this especially hits home.

We have heard some thoughtful and well-informed testimony today on the financial status of pension plans in the airline industry and the long-term viability of those plans. We have also heard about the financial ramifications of the United pension terminations – and potentially other pension terminations – on the financial health of the PBGC. Already over 20 billion dollars in debt, the PBGC will absorb as much as 9 billion dollars in additional debt from United's plans, and untold billions more as other airlines and other companies follow United's lead.

I would like to take a few moments to remind everyone here today that this issue has a human dimension, which so often gets overlooked in the important discussion of financial facts and figures. There are real people who are suffering or will suffer due to the profound reduction of promised retirement benefits. Many of our members are now looking at the possibility of working many years longer than they had intended. For those recently retired, many are now trying to determine how they can pay for the basic necessities of life. These are not careless people who failed to plan for their retirement. They did everything right – they worked hard, saved as much as they could, invested when possible. Their only mistake was one of trust: they trusted the retirement promises United made for decades.

United's decision, blessed by the bankruptcy court, to turn our pensions over to the PBGC means that over two thirds of United flight attendants will loose over one-half of their promised pension benefit. These same employees have made repeated financial concessions over the past several years to keep our airlines alive and profitable. Now they are trying hard just to survive and to provide for themselves and their families with a greatly reduced income. With the elimination of much of their guaranteed retirement income the burden is now even greater on them to save more for retirement. But, of course, saving more is nearly impossible because of the drastic reductions in salaries they have already been forced to agree to just to keep the airline flying.

For many, putting food on the table or setting aside money for retirement is a monthly decision. As one of our members recently stated, "The possible loss of hundreds of dollars a month in old age changes a dignified retirement into a subsistence-level retirement." Or, for another two of our members, a married couple that have together over 70 years of loyal service to the company, who had hoped to retire in seven years, find they now must work for at least an additional 15 years. For individuals who have had to work many years to finally make over $40,000 a year, a cut of hundreds of dollars and in some cases thousands of dollars a month is a severe blow. For some it means a rent payment will be missed, or a car payment, or that prescriptions will go unfilled. For others it means they must now re-enter the job market with skills that are no longer in demand.

I have had some Members of Congress ask me why we are fighting so hard to save our pensions. They say that United will not emerge from bankruptcy unless they terminate the pensions they promised to us and that we have earned over years of hard work and sacrifice. They've asked if we really think that liquidation of our company would be better for us in the long run. They have implied that we, as the obstinate labor union, by requesting that our pensions be saved, are only going to cause the eventual failure and liquidation of our employer. Let me remind the members of this Committee, that we, the employees that have given decades of our lives to this company, have much more at stake in seeing it survive than do most members of upper level management. They have come in to run the company for a few years and then leave and go to another industry. Or, in the case of United's Chief Executive Officer, Glenn Tilton, leave the company at any time and still collect his bankruptcy-court-protected $4.5 million pension plan, All while remaining the most highly compensated CEO in the industry even though he is at the helm of a carrier in bankruptcy. Where is the shared sacrifice in that equation?

As I stated, we have made hundreds and hundreds of millions of dollars in concessions to United management – and at other airlines – to see our carriers survive. We have borne the brunt of the bad business decisions made repeatedly by management at the airlines. We have reluctantly, but willingly, made those sacrifices at the bargaining table. Now, all we are fighting for at United is the one thing that we have worked so hard for over the years as a labor union – a guaranteed retirement income in return for years of dedicated service to the company.

We have tried to work with the company and negotiate a possible solution to keep our pensions intact. In fact, over the past months, AFA suggested five potential sources of funding that would permit the Flight Attendant plan to remain intact:

1) An estimated $150-250 million in common stock to be received in bankruptcy representing both (i) the value of AFA's unsecured claims arising from prior wage reductions and (ii) the value of PBGC's claim were the flight attendant plan terminated

2) $165 million in payments that United proposed to make to a defined contribution plan in lieu of the payments to the flight attendant plan

3) A note of like tenor to the note received by Airline Pilots Association from United in conjunction with termination of the pilots' plan

4) Application to the IRS for minimum funding waivers; and

5) If necessary, a contribution from the PBGC in an amount sufficient, when combined with the other funding sources, as outlined in my first four points, to fund United's minimum funding contributions through December 31, 2010.

All these proposals were rejected by United without the opportunity of lengthy discussion.

Those most responsible for putting United and other airlines in the precarious financial situation they are in are refusing to make the management level cuts they promised. Or in the case of US Airways, where our members lost their pensions earlier this year, they are instituting management retention bonuses.

Again, I ask, where is the shared sacrifice? Why are those most at fault in driving our carriers into bankruptcy or near bankruptcy – management making bad business decisions based on bad business models – why are *they* the only ones not sharing in this sacrifice? They continue to line their pockets while we stand accused of wanting to see our lifelong employers go out of business, leaving us unemployed and with very few opportunities for new careers in the profession and industry we love. Unlike others, we cannot move from the oil industry to the airline industry to some other industry with a golden parachute to help us on our way.

When one of our members asked Glenn Tilton why he thought it was appropriate to keep his 4.5 million dollar pension when we were being asked to give up ours, he said simply: "it's part of my contract." Well, excuse me for thinking that remark a little arrogant, but you should know – and Mr. Tilton should know – my pension is part of my contract too.

Our concerns with United's termination of the flight attendant pension plan and the PBGC's decision to not challenge the termination are numerous. However, simply put, we do not believe that termination of the pension is necessary for the survival of United airlines. We have tried repeatedly to negotiate with the company on other alternatives to save our defined benefit pension plan or to explore means to preserve the plan. In fact, we are the only work group that even offered to pay for part of the plan ourselves. However, each and every time United has told us that there is no option available other than termination. They have refused to look at the pension plans individually, but rather, prefer to lump them all together. We believe that each plan should be judged on its own viability – both ERISA and the bankruptcy code envision such an evaluation. However, the deal struck between United and the PBGC pre-empted just such a review.

AFA also had been working with the PBGC to find an alternative to termination that would allow our plan to survive. We were completely blindsided by their decision, after accepting 1.5 billion dollars from United, to allow termination of our plan. This was especially troubling in light of the fact that on April 4th, the PBGC, in a letter to AFA's actuaries, stated that the PBGC believed that, and I quote, "…the AFA plan can and should be maintained by the company upon emergence from Chapter 11. Based upon available information, we continue to believe that the interests of the participants and the pension insurance program would best be served by the continuance of the AFA plan."

Why did the PBGC change its position so shortly after that letter? That is a question for which no one has an adequate answer. In fact, in a *USA Today* article from mid-May, a spokesperson for the PBGC stated that the PBGC still believed that it would be best for the flight attendants and the government if United did not terminate the plan. The spokesperson went on to reiterate that they believed that United would eventually convince the bankruptcy court judge to allow for termination over the agency's objections. Does this not go counter to the provisions of ERISA, when creating the PBGC outlined that the number one purpose of the PBGC was "to encourage the continuation and maintenance of voluntary private pension plans for the benefit of their participants?" Let me point out that it states "for the benefit of their participants" not "for the benefit of the corporation."

By accepting a 1.5 billion dollar payment and then standing silently by, I believe that the PBGC failed in its number one purpose of encouraging the continuation and maintenance of voluntary private pension plans for the benefit of their participants. The PBGC simply turned its back on its legal obligations and obligation to the participants of United's pension plans. This Congress should have been outraged by the action of the PBGC.

Instead, the overwhelming majority of Congress, both Republicans and Democrats, has acted like the PBGC and, to date, stood silently by while hundreds of thousands of United employees and retirees see their pensions decimated.

If United management is successful in their efforts to terminate our pension plans, no one should be under any illusion: all the other legacy carriers *will* attempt to dump their pension plans as well. With an already huge deficit of $23 billion in unfunded liabilities, the PBGC will simply find itself deeper and deeper in debt. If you, the distinguished members of this Committee, and United States Senators allow for this to go forward, you are simply creating the possibility of a massive taxpayer bailout of the PBGC at a time when the federal government can least afford such an expense. That responsibility is in your hands.

As I stated at the beginning of my testimony, our members at United are the only remaining group at a major airline represented by AFA with a defined benefit pension plan. There has been much discussion today about how we can achieve a long-term fix to the pension crisis rocking the airline industry. There have been some reasonable proposals brought forward which deserve some serious debate and possible enactment into law. Ideas such as extending the amortization period for payments and allowing companies to pay in more during economically profitable years, among other suggestions that were brought forward today are all possibilities that deserve serious debate and may help solve the long term funding problems for pensions.

However, if something is not done immediately to stop the termination of United's pension plans, AFA cannot be a part of those long-term fix discussions. If nothing is done now, we will no longer represent any workers with a defined benefit pension plan. That is why I strongly urge each and every member of this Committee to cosponsor S. 1158, the Stop Terminating Our Pensions Act, or STOP Act. This legislation, versions of which have been introduced in both the House and Senate, would only cover those plans whose plan sponsors are in bankruptcy reorganization currently, and whose unfunded liability on a termination basis is $1 billion or more. All four union employee pension plans at United are covered by these caveats.

The bill would put in place a moratorium for any termination of covered plans initiated by the PBGC under ERISA 4042. It does not affect terminations under ERISA 4041. The essential difference between these sections is whether workers have a say in the process. Under 4041, a termination is voluntary and allowed only after the employer has fully bargained with the unions in good faith. Under 4042, the PBGC may ignore the collective bargaining process and terminate plans on its own. In the United case, the PBGC has struck a deal with the employer to terminate the plans without regard to the collective bargaining process.

The length of the moratorium is six months. This would allow Congress the valuable time needed to explore further solutions to the crisis at United. It allows time for the employer and the unions to honor the collective bargaining process and seek out alternative solutions to plan termination.

Passage of this legislation is needed immediately for us to return to the bargaining table with United Airlines in order to find an internal solution to this problem. We strongly believe that the flight attendant pension plan can be saved and is viable, as the PBGC itself recently stated. We simply want every available opportunity to find a consensus with the company. This six-month moratorium would give you, the distinguished members of the Committee and the rest of your Senate colleagues, the time to debate and consider the various proposals to strengthen and protect defined benefit pension plans in this country. You can help prevent hundreds of thousands of other workers from loosing their pensions and ten of billions of dollars being dumped on the taxpayers by allowing this moratorium to pass.

Please give us the time we need to try and save our pensions. I urge the United States Senate to consider and pass S. 1158, the STOP Act as quickly as possible. If you do not, then you have turned your backs on the over 120,000 United employees who are now facing a bleak and uncertain retirement future.

In conclusion, I would like to return to the human side of this issue by leaving you with the words of one our members who recently wrote to the House Education and Workforce Committee in support of the House version of S .1158. They are:

“My name is Jayme Manley. I am a 46-year-old woman. I am a wife. I am a mother of four young children. I am a daughter of a proud WWII and Korean War Veteran. I am a daughter of a liberated 1960's feminist who worked to put food on the table for her family. I am a sister, aunt, friend, and neighbor.

I am honest, hard-working, faithful. I am college educated, community orientated, and family driven. I am 'the girl next door.' I am exactly what United Airlines sought when hiring me as a Flight Attendant 21 years ago. I am their past, but also United Airlines' future! I am a promise broken. I am despair! Can you see my face yet? I am sad. I am worried. I am the face of 20,000 Flight Attendants who may lose their defined pension benefit. I am a burden to the taxpayers. I am Jayme Manley.”

Please send a message to Jayme Manley and all the flight attendants of United Airlines. Pass the STOP Act and work diligently to find a solution to our pension crisis. Thank you.