



Committee On Finance

Max Baucus, Ranking Member

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**Statement of U.S. Senator Max Baucus
United States Senate Finance Committee Hearing
“Preventing the Next Pension Collapse: Lessons from the United Airlines Case”**

Thank you, Chairman Grassley, for holding this very timely hearing. We need to learn from the United Airlines case, and from the GAO report that Mr. Walker will discuss.

The current pension funding system is broken. We need to fix it. Employees have lost billion of dollars of pensions that they earned. The funding rules did not secure their retirement income. We know that the rules are broken, because employees and retirees are being hurt. We need to fix the rules.

And in fixing the rules, our goal should be the goal of ERISA — the Employee Retirement Income Security Act. ERISA created PBGC and the funding rules to protect employees. We need to fix the funding rules so that they protect employees again.

Today, we will hear from pilots, machinists, and flight attendants who face the loss of benefits that they have earned. One of the cardinal rules of ERISA is that earned benefits cannot be taken away. Accrued benefits are protected, except when an employer is in financial distress, and the benefits are not funded. United and US Air employees have learned about this exception the hard way.

In our current, broken system, when that exception kicks in, the employer who is responsible for funding the benefits is the only one who does not pay. Employees and retirees pay dearly through lost benefits. Other, more responsible employers — employers who are funding benefits for their own employees — pay through higher PBGC premiums. Taxpayers may ultimately pay.

And who does not pay? The company that made the promises. The company that benefited from the services for which compensation was deferred. That, my friends, is a broken system.

Think about what a defined benefit plan is supposed to be. When employees learn about the private employer-based pension system, they hear about defined benefit plans versus defined contribution plans. For employees, one of the selling points for defined benefit plans is that employers bear the risk. The plan defines the benefit, and the employer is responsible for funding that benefit. No matter how long you live, no matter what the markets do, the employee gets the benefit.

Looking at United Airlines' plan terminations, this standard definition sounds like some sort of cruel joke. The employer did not bear the risk. Other employers did. And, in an outcome that ERISA surely did not intend, the employees are bearing the risk.

Funding rules must be changed not to protect PBGC, but to protect employees. And in the process, we will help assure PBGC's future health. So let us not forget our priorities. PBGC was set up to protect employees — active and retired. Funding rules were set up to protect employees. And we need to fix this broken pension system to protect employees.

Let us learn from the witnesses whom we have assembled here. And let us use what we learn to make the defined benefit system a system that delivers benefits to employees when they retire, funded by the employers that promised them. The employees who worked hard and earned those benefits deserve no less.

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