

# PBGC: American Airlines Is Misleading Employees Over Pension

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*"American Airlines is telling their workers and retirees not to worry, but they should," the Pension Benefit Guaranty Corp. said in a recent statement on how the bankruptcy of American Airlines will impact its pension.*

(January 27, 2012) -- American Airlines employees should worry about pensions, the Pension Benefit Guaranty Corp. (PBGC) has asserted while the airline struggles to pull itself out of bankruptcy.

American Airlines' recent statements, through its lead bankruptcy counsel and in employee communications, have signaled the airline's intent to dump its retirement obligations on the PBGC, said J. Jioni Palmer, director of communications of the federal agency, in a recent statement.

He continued: "American Airlines is telling their workers and retirees not to worry, but they should. American said nothing's been decided yet, but didn't even bother to pretend that it was trying to preserve its employees' pensions."

According to the federal agency, a recent letter to employees from American Airlines' management downplayed the serious consequences of what could happen if the company terminated its pension plans. "The letter ignored that PBGC doesn't insure retiree health benefits, which are usually canceled when companies terminate pension plans," the statement by the PBGC said.

Since American Airlines sought Chapter 11 protection on November 29, PBGC has been working to try to preserve the airlines' pension plans. While the PBGC has repeatedly stated that the airline must be preserved, it has said that doing so while preserving its plans would be in the best interest of both the airline and the PBGC, which has been hit with burgeoning debts as corporate bankruptcies and pension failures have contributed to its widening deficit. Furthermore, PBGC noted that other airlines had reorganized successfully without terminating their plans.

Meanwhile, Eastman Kodak filed for bankruptcy protection late last week, aiming to streamline and improve its business. PBGC asserted that concerns over the future of Eastman Kodak's pension scheme following the firm's bankruptcy is premature, due to the scheme's reasonable funding level.

"Some people say that Eastman Kodak's pension plan is in danger because the company filed for

bankruptcy, but it's really too early to tell," PBGC spokesman Marc Hopkins told *aiCIO*, referring specially to the Rochester, NY-based firm's US scheme. "If the result of the bankruptcy process is that Kodak cannot afford their pension plan, we would step in and take on pension liabilities, paying benefits up to the guaranteed limit," Hopkins said, noting that the action is only hypothetical, as the PBGC's action would evolve over the course of the bankruptcy, which could take at least 18 months.

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