

PBGC Director Josh Gotbaum on the Importance of American Airlines' Pension Plans

FOR IMMEDIATE RELEASE

January 12, 2012

WASHINGTON—Pension Benefit Guaranty Corporation Director Josh Gotbaum released the following statement today on the American Airlines' pension plans:

Some have suggested that American must duck its pension commitments and kill its pension plans in order to survive. We think that commitments to 130,000 workers and retirees shouldn't be disposable, that American should have to prove in court that this drastic step is necessary.

For other airlines, it hasn't been. American's competitors found ways to increase revenues and get competitive costs while honoring pension benefits. Delta maintained its non-pilots plan, and both Northwest and Continental kept their plans going after their bankruptcies.

Counsel for American claims that it needs to kill its employees' pensions in order to be competitive with other major carriers. The numbers tell a different story: Delta Airlines, which reorganized in bankruptcy, pays an average of \$13,210 per employee in pension costs - almost *2/3 more* than American's pre-bankruptcy cost of \$8,102. (Source: 2010 annual reports)

American has more than \$4 billion in cash; some of that money should already have been paid into its pension plans. However, Congress, hoping to preserve plans, allowed American to defer the payments. It would be a tragedy if American repaid Congress's generosity by turning around and killing the plans anyway.

PBGC is always ready to provide a safety net to employees whose companies can no longer afford their commitments, but that doesn't mean that it's good for employees and retirees when we do. There are legal limits to the amounts we can pay, and we don't cover retiree health care. That's why PBGC always tries first to preserve plans. We will continue to encourage American to fix its financial problems and still keep its pension plans.

We stand with American's workers and retirees who are concerned about their futures. Many of the airline's employees took lower wages so the plans could continue. Now, it's American's turn to step up so workers aren't short-changed.

About PBGC

PBGC protects the pension benefits of 44 million Americans in 27,500 private-sector pension plans. The agency is directly responsible for paying the benefits of more than 1.5 million people in failed pension plans. PBGC receives no taxpayer dollars and never has. Its operations are financed by insurance premiums and with assets and recoveries from failed plans.