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Contact:
O.V. Delle-Femine
(603) 527-9212

Maryanne DeMarco
(202) 822-8700

AMFA ASKS PBGC TO CONDUCT FORENSIC AUDIT OF UNITED AIRLINES PENSION PLAN AND OTHER DISTRESSED PLANS

WASHINGTON, DC, June 21, 2005 – In light of an SEC report published last month, the Pension Benefit Guarantee Corporation (PBGC) should routinely conduct full forensic audits of distressed employee pension plans, including the plan of bankrupt United Airlines, according to a letter delivered yesterday to PBGC officials from O.V. Delle-Femine, national director of the Aircraft Mechanics Fraternal Association (AMFA).

Noting that the PBGC is “increasingly called upon to protect and pay the pension obligations promised by large, troubled corporations,” Delle-Femine’s letter said the forensic audits are needed “to determine whether any of the parties providing financial services to the plans may have contributed to their demise. While the plan sponsor may be bankrupt, the parties that have been dealing with the plans are not and it may be possible to recover assets from these parties on behalf of the plan’s participants.”

“When the PBGC assumed partial responsibility for United’s pension plan obligations, employees and retirees covered by the plan, along with their families, lost a lot of money they deserved and were counting on. It would be irresponsible to risk harming these people a second time by failing to ensure that the plan has been responsibly managed,” Delle-Femine said. “The SEC report shows that conflicts of interest and misconduct may be more widespread than originally thought. Earlier this month, Citigroup had to pay \$2 billion to settle a class-action lawsuit for helping Enron carry out a massive accounting fraud.”

The SEC’s May 2005 report on “Examinations of Select Pension Consultants” looked at representative pension consultants who are also registered investment advisors and concluded that 16 percent of them failed to disclose potential conflicts of interest, while 84 percent provided only limited disclosure of potential conflicts. The federal Employment Retirement Income Security Act (ERISA) requires so-called fiduciaries that are responsible for pension plans to “act solely in the interest of plan participants” and makes fiduciaries who breach their responsibilities “personally liable to make good to the plan any losses” resulting from misconduct.

Delle-Femine said the PBGC should also begin a forensic audit of the Northwest Airlines pension plan. Northwest has signaled lately that it may be slowly heading toward bankruptcy. “There’s a real danger of a domino effect in the airline industry and beyond, where companies feel they can’t compete unless they dump their pension obligations onto the PBGC. If that happens, the PBGC may have to ask Congress for an enormous bailout that would be funded by all American taxpayers.”

AMFA’s craft union represents aircraft maintenance technicians and related support personnel at Alaska Airlines, United Airlines, Southwest Airlines, Northwest Airlines, ATA, Independence, Horizon and Mesaba Airlines. AMFA’s credo is “Safety in the air begins with Quality Maintenance on the Ground”. To learn more about AMFA, visit: www.amfanatl.org.

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