

GAO Will Review Airline Industry Pension Management Practices Following Requests From AMFA and Reps. Markey and Miller

WASHINGTON--(BUSINESS WIRE)--Jan. 31, 2006--

The Government Accountability Office (GAO) has agreed to review pension management practices in the U.S. airline industry and other sectors, in response to a written request from Representatives Edward Markey (D-MA) and George Miller (D-CA) that cited earlier requests to government officials from the Aircraft Mechanics Fraternal Association (AMFA).

Reps. Markey and Miller called on the GAO to investigate whether the Federal Government is effectively regulating the activities of pension funds and the firms that advise them, and detecting and deterring fraud, conflicts-of-interest, and unlawful activities in the pension industry.

"Massive failures of pension plans at United Airlines and other companies are placing an enormous strain on employees and retirees who worked hard to earn their pension benefits. The SEC report on conflicts of interest and secret financial deals between pension advisors, money managers and others is a wake-up call that more needs to be done to ensure that workers' pensions are not put at risk by advisors offering conflicted recommendations masquerading as objective advice," Rep. Markey said.

"AMFA applauds the initiative Reps. Markey and Miller are taking to protect American employees against conflict of interest and fraud in the management of their pension plans," said AMFA National Director O.V. Delle-Femine.

The impetus for all the requests was a May 2005 Security and Exchange Commission (SEC) report, "Examination of Select Pension Consultants," that found high potential for conflict of interest and fraud in the airline industry, where consultants hired to manage multibillion-dollar pension funds frequently are also professional investment advisors. The report said that 16 percent of these individuals failed to disclose potential conflicts of interest as required by federal law, and a whopping 84 percent provided only limited disclosure.

"We have been pushing Congress to have forensic audits conducted on the pension plans," said Maryanne DeMarco, AMFA National Legislative Liaison. "In June 2005, we also wrote to Labor Secretary Elaine Chao and Bradley Belt, executive director of the Pension Benefit Guarantee Corporation (PBGC), urging them to conduct a forensic audit of the United Airlines pension plan and other distressed employee pension plans, in order to reveal potential fraud and recover assets if possible."

"American workers are already worried about having enough money to get them through their golden years, and with good reason. If money managers are giving American workers another reason to worry, then the Federal government must intercede on workers' behalf," said Miller, the senior Democrat on the House Education and the Workforce Committee. "The SEC report raises grave concerns that some pension consultants and money managers - who should act only with the pensioners' best interest in mind - instead may be choosing investments or other deals to enrich themselves and their associates while putting workers' retirement nest eggs in jeopardy. That is unacceptable, and it must stop."

In its recent reply to Reps. Markey and Miller, the GAO accepted the request for work, stating that it is within the scope of its authority and that it will begin the audit soon.