



NRLN Task Force Working to Reform Bankruptcy and PBGC Rules

In February, I sent letters to President Obama and the Senate Judiciary committee members to advocate the need for legislation to reform bankruptcy laws to better protect retirees' pensions and benefits in bankruptcy court proceedings. My letters were followed up with an NRLN Action Alert that saw Grassroots Network members email nearly 7,000 letters to Washington on this issue. In March, the NRLN presented to a Congressional staff member a white paper prepared by the Delta Pilots retiree organization on the need to reform bankruptcy laws and Pension Benefit Guaranty Corporation (PBGC) rules. Now, the NRLN is taking an additional step forward with the creation of a Task Force to not only address needed changes in bankruptcy laws but also in rules applied by the PBGC when it takes over a defined benefits pension plan.

Heading up the NRLN's efforts to create white papers and support lobbying for legislation to reform bankruptcy laws and PBGC regulations are leaders from the Delta retirees organizations. They experienced the hard realities of bankruptcy court and PBGC decisions after Delta Air Lines filed Chapter 11 bankruptcy on September 14, 2005. Will Buergey, Chairman of the Delta Pilots Pension Preservation Organization (DP3), is serving as Chairman of the Task Force's combined projects. Cathy Cone, Board Chairman of the Delta Air Lines Retirement Committee (DALRC), is the Team Leader for the Bankruptcy Reform Project. Wendell Lewis, Vice Chairman of DP3, is the Team Leader for PBGC Rules Changes.

Task Force members include Chris Dyrda, Vice President and Secretary for the National Chrysler Retirement Organization (NCRO); Ed May, Legislative Director for the Ford Fair Alliance (FAIR); Vic Poleni, Regional Vice President for the General Motors Retirees Association (GMRA), and Chuck Graves, Legal Affairs Director for the Lucent Retirees Organization. The Task Force will receive support from members of the NRLN's Capitol Hill Team, Marta Bascom, NRLN Executive Director; Michael Calabrese, NRLN Advisor, and myself.

The two projects are intertwined because both come into play when a corporation declares bankruptcy. Such is the case that Chrysler retirees will soon experience because of Chrysler's recent Chapter 11 bankruptcy filing. GMRA leaders are preparing contingency plans should General Motors declare bankruptcy. Delta Air Lines retirees experienced in bankruptcy court the effects of poor Section 1114 Health Care Committee rules and the disadvantages of being placed in the position of an unsecured creditor in the eyes of the court. The laws that govern the bankruptcy Section 1113 Pension Committee and the PBGC are detrimental

to many retirees when the threat of a pension plan termination becomes real. A prospective NRLN association that is concerned about the possibility of bankruptcy is the Kodak Retiree Association (KRA).

Another issue that has reared its head that the Task Force will grapple with is corporations who shift U.S. company assets to foreign countries as a result of merger and acquisition activity. When these assets escape U.S. control they no longer are available to be liquidated in order to fund pension and benefit plan liabilities. The NRLN members facing this risk are Lucent Technologies retirees whose former company is now owned by Alcatel of France.

What the NRLN is seeking-through the efforts of the Task Force is legislation that will provide fairness and equity for retirees when a corporation declares bankruptcy. Shareholders, bondholders, lenders and vendors assume risks when dealing with companies. They expect a return commensurate with risk. If they lose their investments they normally can absorb losses and go forward as viable entities. Retirees are hostages in bankruptcy and are currently subject to suffering permanent losses and they may never recover. Therefore, the NRLN's position is that retiree pensions and benefits should be put on the list of obligations that companies cannot shed.

At this time, the NRLN is not asking its Grassroots Network members to send additional letters to Washington. However, should you have the opportunity to speak with your U.S. Senators and Representative tell them there is a need for legislation to reform bankruptcy and PBGC rules to provide greater fairness to retirees. I will let you know when the Task Force's efforts are at a point when Grassroots Network members should unite their voices and speak out to our nation's lawmakers.

Finally, because we have been able to find and engage some good people to handle this new threat as a separate activity, you can be assured that we will not miss a beat in lobbying for passage of legislation we have been committed to in our Legislative Agenda. Your support is appreciated.

Bill Kadereit

President, National Retiree Legislative Network