

# False Pension

INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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# Promises by Teamsters @ UAL

Mr. Donald Treichler, Director Airline Division  
International Brotherhood of Teamsters  
25 Louisiana Avenue N.W.  
Washington, D.C. 20001

Re: Settlement Agreement between UAL and PBGC

Dear Mr. Treichler:

This is in response to your question relating to the April 22, 2005, settlement agreement between United Airlines (UAL) and the Pension Benefit Guarantee Corporation (PBGC), whereby UAL terminated its union employees' pension plans, dumped the unfunded liability for those plans on the PBGC, and allowed the PBGC to drastically cut the affected employees' pensions. In particular, you asked whether that settlement between UAL and the PBGC forecloses any possibility of restoring the UAL mechanics' pension plan or of providing defined benefit pension benefits for the affected mechanics.

With respect to this question, please note that when it entered into the April 22, 2005, agreement with the PBGC, UAL allowed PBGC to waive its rights to restore UAL's pension plans in the future. This means that PBGC has agreed not to seek any recourse against UAL to seek the restoration of those plans. In that same agreement between UAL and the PBGC, UAL agreed that it would not establish any new, ERISA-regulated defined benefit pension plans for ten years. In light of the above-described terms set forth in the UAL-PBGC agreement, UAL cannot restore the mechanics' old pension plan, and, for the next ten years, it cannot itself establish a new defined benefit plan for them.

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## Promises by

Mr. Donald Frickler  
February 1, 2008

Page 2

# Teamsters @ UAL

Despite these legal impediments, however, there is still a means by which to make the affected mechanics whole for the loss of their pension benefits. In this regard, the UAL-PBGC settlement does not prevent UAL from agreeing to participate in an already-existing defined benefit plan that would provide pension benefits to the mechanics. As a practical matter, this means that UAL would have to agree to participate in an already-existing defined benefit multi-employer pension fund. Of course, the mechanics' current bargaining representative (AMFA) is not party to any such multi-employer plans. As a practical matter, therefore, AMFA is not in a position to negotiate an agreement providing for UAL's participation in an existing multiemployer defined benefit plan even if UAL were inclined to enter into such an agreement.

Indeed, the only practical way to avoid the legal handcuffs created by the UAL-PBGC agreement is to seek UAL's agreement with the Teamsters to participate in one of the Teamster-affiliated multi-employer pension plans, such as the Western Conference of Teamsters Pension Trust (WCTPT). The WCTPT is a well-established – and very well funded – defined benefit, multi-employer pension plan. More than 5,000 Teamster employers contribute to and participate in that fund. Thus, if the Teamsters become the UAL mechanics' bargaining representative, if they choose to do so, they could seek to negotiate UAL into the WCTPT so that the mechanics could earn future and -- depending on the outcome of contract negotiations and the rules of the WCTPT -- perhaps even past credited pension service for their time as UAL employees.

I hope this has adequately answered your question. Please do not hesitate to contact me, however, if you have any additional questions relating to this or other matters.

Sincerely,



Edward M. Gleason, Jr.

EMG/lws