

NRLN

**NATIONAL RETIREE
LEGISLATIVE NETWORK**

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***NRLN is a coalition of 30 Retiree
Associations advocating the rights of more
than 2 million American retirees from...***

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March 15, 2010

The Honorable Charles Schumer
United States Senate
313 Hart Senate Office Building
Washington, DC 20510-3203

Dear Senator Schumer:

You and other members of Congress are to be commended for urging President Obama to bring General Motors to the negotiating table to work out a fair solution for Delphi salaried retirees who have had their pension plan taken over by the Pension Benefit Guaranty Corp (PBGC). It is a travesty that Delphi salaried retirees are seeing their pensions reduced by significant amounts while GM has agreed to protect Delphi's hourly workers who are members of the United Auto Workers. As you have recognized, this treatment of salaried retirees is fundamentally unfair.

I want to call to your attention another issue that is unfair to retirees. It is grossly unfair that companies are not being stopped from using defined benefit pension plan assets to make severance payments and cover other non-pension expenses during corporate restructuring.

The more than 2 million retirees from 114 companies represented by the National Retiree Legislative Network (NRLN) are very upset that last week, for the second time in two years, the Senate passed pension plan funding relief for companies but did not include in the American Workers, State and Business Relief Act of 2010 any protection for pension plan assets.

As you are attempting to do in the Delphi situation, you are trying to close the barn door after the horse is out. Congressional members must understand that pension plan assets need to be protected to help avoid the possibility that the PBGC must take over a pension plan. In 2009, the PBGC was very concerned that General Motors used \$2.9 billion in pension assets to make lump sum severance payments during 2008. The GM pension plan ended that year with a deficit of \$20 billion based on the PBGC's calculations. The Treasury Department's bailout loan program to GM included restrictions on GM's ability to continue to use pension assets for non-pension purposes.

Delphi's use of the "back door reversions" practice similar to GM contributed significantly to its pension plan being severely underfunded and resulted in the takeover by the PBGC. The use of pension plan assets to pay corporate restructuring costs is not limited to the auto industry. NRLN's research has found that AT&T, Delta Air Lines, Federal Express, Lucent, Qwest and Verizon are among the other companies who have used "back door reversions" to circumvent Congressional intent against reverting pension assets for corporate purposes.

(More)

When are members of Congress going to wake up to the reality that if legislation is not enacted soon to protect pension plan assets, the PBGC is going to require a government bailout as more and more pension plans default.

Senators missed a golden opportunity for a quid pro quo when it again gave companies temporary pension plan funding relief. In the same bill retirees should have gained the protection of their pension assets from being used for non-pension expenses. Senators should rectify this omission by introducing and passing a bill to provide for the protection of pension plan assets. If the NRLN can be of assistance on this important issue, please contact Marta Bascom, the NRLN's Executive Director, at (703) 863-9611 or by email at marta.bascom@linkspace.net.

Sincerely,

A handwritten signature in black ink that reads "Bill Kadereit". The signature is written in a cursive, slightly slanted style.

President, National Retiree Legislative Network