PENSION RIGHTS CENTER

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Dear Senator:

The Pension Rights Center urges you to co-sponsor the "Protecting Employees and Retirees in Business Bankruptcies Act of 2007" (S. 2092) introduced by Senators Dick Durbin and Edward Kennedy. This bill would add important new protections for workers' pensions and retirement savings plans when companies declare bankruptcy. The Pension Rights Center is the nation's only consumer organization dedicated solely to protecting and promoting the retirement security of American workers, retirees and their families.

Recent industry-wide restructurings have demonstrated that American workers need comprehensive corporate bankruptcy reform to protect their interests. Where companies once only used bankruptcy as a tool of last resort, corporations now increasingly view bankruptcy procedures as a viable business strategy to allow them to unfairly eliminate long-standing pension obligations to their workers and retirees.

In the high profile example of United Airlines, the company used the bankruptcy system to shed billions of dollars in pension obligations – with the result that thousands of families suffered devastating losses to their retirement security. By going into bankruptcy United was able to transfer its pension liabilities to the Pension Benefit Guaranty Corporation (PBGC), the federal private pension insurance program. It then paid its creditors, gave multimillion dollar pay packages to its executives, and emerged from bankruptcy as a profitable company. The losers were the pilots, flight attendants, mechanics and other United employees, whose pensions were reduced because of limits in the amount of benefits the PBGC is authorized to pay.

S. 2092 provides workers with a new bankruptcy claim for pension benefits lost due to the termination of a defined benefit pension plan. It also prohibits a company from providing deferred compensation plans for its executives if the pension plan for workers is terminated.

As more and more employers substitute 401(k) savings plans for traditional pensions, protections for 401(k) plan participants have become increasingly important. As employees at Enron and WorldCom discovered, this is particularly true in bankruptcy court. Because their companies went into bankruptcy, these workers were unable to recover the millions of dollars in losses that they claim resulted from fraudulent actions by their employers who, rather than matching their 401(k) contributions in cash, gave them company stock that the employers knew to be worthless.

S. 2092 creates a new priority claim for the loss in value of company stock held in a 401(k) account where the loss is due to fraud or other wrongdoing.

Please show your support for workers' retirement security by becoming a co-sponsor of S. 2092 today.

Sincerely,

Karen W. Ferguson
Director

Karen D. Friedman
Policy Director