“Employee Pension Preservation Act of 2005”
(Introduced on April 20, 2005 by Senator Johnny Isakson R-GA)

The Problem

- Airline employees face a threat to their earned pensions as a result of pension funding laws that make pension funding schedules unpredictable and volatile.

- At the core of the problem is the requirement for airlines to make substantial pension funding payments in a short period of time. In cases where airlines do not have the cash on hand to make these payments, the airlines are having to choose between eliminating their pension plans or filing bankruptcy, which leads to the employee pension plans being dissolved.

- Airline employees deserve to allow their earned pensions to be protected, while ensuring their airline will remain viable.

- In the 108^{th} Congress, temporary pension funding relief was approved that allowed some airlines to avoid a bankruptcy filing, but without a more permanent pension relief these airlines will be required to make up these deferred amounts on top of the regular funding requirements over the next few years. This creates significantly higher funding requirements.

The Solution

- Senator Johnny Isakson (R-GA) has introduced legislation – the “Employee Pension Preservation Act of 2005” – that would protect the interests of airline employees and their pensions by allowing their employers to make their required pension payments in a more predictable and manageable way.

- This common-sense, industry-specific approach is supported by airline employees, their unions, and their employers.

How it Works

- Airlines are given the ability to fund their pension obligations to their employees on a more manageable and stabilized schedule over a period of 25 years (instead of a four-year schedule) using more stable, long-term assumptions.

- Any airline that chooses this option must agree to limit its pension liabilities by totally freezing current benefits, or by paying for new benefits immediately.

- The airline cannot pursue either funding option without first winning an affirmative vote from any union representing its employees.

- This legislation protects the interest of the American taxpayer by limiting the liability of the Pension Benefit Guarantee Corporation, the federal agency responsible for funding pensions when companies terminate their pension plans. The bill caps the PBGC liabilities at current limits.

In Conclusion

- Sen. Isakson's goal is to establish a payment schedule for unfunded liability that is affordable and practical. The legislation properly balances the interests of all three stakeholders: employees, taxpayers, and airlines.

- A 25-year payment schedule would ensure that the short term funding requirement is responsibly spread over a period of time that is more manageable for the airlines.

- Airlines continue to make sizeable contributions each year to reduce their liability, and ensure benefits that the employee has accrued are paid out.

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