



Pension Benefit Guaranty Corporation
1200 K Street, N.W., Washington, D.C. 20005-4026

APR 30 2004

Re: [redacted] Case 194025, Trans World Airlines, Inc.
(TWA) Retirement Plan for Employees (the Plan)

Dear [redacted]

The Appeals Board reviewed your appeal of PBGC's December 22, 2003 determination of your Plan benefit. For the reasons stated below, we must deny your appeal.

Determination and Appeal

PBGC determined that you are entitled to a monthly benefit of \$397.97 payable as a Straight Life Annuity, which provides a benefit for your lifetime and no survivor benefit. PBGC noted that this amount is the same as you have been receiving. Because you started receiving your Plan benefit before the Plan terminated and because PBGC is paying you your full Plan benefit, PBGC did not include a Benefit Statement with its determination letter.

In your March 2, 2004 appeal letter, you stated that your specific reasons why you believe PBGC's determination is incorrect are as follows:

"The Pension Benefit Guaranty Corporation did not uphold its mandate by Congress to guarantee my pension and did not put forth even a good faith effort to see that it was properly funded by the Carl Icahn/Pichin Corporation, enclosure (3). Could you have not at least said 'NO' to this Corporate Raider just once!

Knowing the prior pension raiding history of Carl Icahn you should have tried to at least save the pensions of those who had worked so long for TWA. Since nothing was done then when you had the opportunity, your time has now come to step up to the plate and fulfill the obligation of the word guarantee in your name by including years of 1994, 95, and 96 in recalculation of my Guaranteed Pension, enclosure (4).

I worked over 31 years for Trans World Airlines and deserve a decent pension but the PBGC took the easy way out and offered no rebuttal to the corporate lawyers of Carl Icahn/Pichin Corporation. Why did the PBGC roll over for the corporate lawyers of Carl Icahn, you are in the business of guaranteeing/protecting my TWA pension. When I think of all the bulletins/flyers I have received from the PBGC over the last twenty years and it was nothing but a window dressing game which I and the American public have bought hook line and sinker! The PBGC is the last defense against a pension fund raider like Carl Icahn and you stood by and did nothing. \$397.97 is not a fair pension after 31 years of service with

Trans World Airlines.

To make matters worse, the collusion between PBGC and Carl Icahn was one of the best kept secrets in TWA, enclosure (5). The time has now come to make amends for what the PBGC had not done in the past. The years I worked for TWA in 1994, 95 and 96 should be calculated into my final monthly pension. Common decency would expect no less. Sour grapes, I don't think so, I only wish I had been in that meeting to put forth the responsibilities a company has to its TWA employees pension plan. A plan that now puts me below poverty level and no where near what I would be drawing if I had worked 31 years with the Louisville Sanitation Department!

In an associated matter I have often wondered if the supplemental IAM "B" Retirement Plan amount was included in my monthly pension check or was it to be paid separately? The last information I had was that those funds were to be turned over to TWA and included into one monthly payment, enclosure (6)."

Discussion

1. PBGC's Insurance Program

PBGC provides pension insurance according to the Employee Retirement Income Security Act of 1974, as amended (ERISA). If a plan sponsor is unable to support its qualified defined-benefit pension plan, PBGC becomes trustee of the plan and pays pension benefits as defined in the plan subject to limitations set by Congress under ERISA.

Records available to the Appeals Board reveal that the Plan terminated on January 1, 2001 and that PBGC became trustee of the Plan on January 2, 2001.

After the Plan terminated on January 1, 2001, PBGC personnel conducted an audit of the procedures TWA used in administering the Plan and calculating participants' Plan-defined benefits. After calculating benefits for a sampling of participants and comparing the results with TWA's calculations, PBGC auditors concluded that the benefit amounts in TWA's database were reliable. So, for most retirees, PBGC accepted TWA's calculations. And in your case, your PBGC benefit is the same as the benefit TWA was paying you when the Plan terminated.


Please note that ERISA does not authorize PBGC to pay benefits larger than the benefits provided under the terms of a plan that terminates.

2. The 1993 Benefit Freeze and the Comprehensive Settlement Agreement

By way of background, Carl Icahn was the former controlling

shareholder of TWA. TWA filed a bankruptcy petition in 1992 in the Bankruptcy Division of the United States District Court for the District of Delaware. One of the issues involved in the bankruptcy was the status of TWA's underfunded pension plans, and the extent of Carl Icahn's liability, if any, in the event the plans terminated. Mr. Icahn conditioned his willingness to provide TWA with a \$200 million loan (which was necessary for TWA to survive and emerge from bankruptcy) upon benefit freeze amendments for all of the TWA defined benefit plans and upon some provision that fixed the amount of liability that he might incur towards the pension plans. Throughout these proceedings, the International Association of Machinists and Aerospace Workers (IAM) represented the interests of active passenger service employees like you.

On January 5, 1993, TWA, IAM (and other unions that represented TWA employees), and PBGC signed a Comprehensive Settlement Agreement (CSA) under which: (1) Carl Icahn loaned TWA \$200 million; (2) an Icahn-owned concern called Pichin Corp. took over sponsorship of the TWA pension plans, and agreed to become responsible for any minimum funding costs of the plans that were not covered by a \$300 million payment guaranteed by TWA; (3) the plans were amended to freeze the accrual of additional benefits; (4) it was agreed that the plans would terminate if certain events occurred after 1993; and (5) if the plans were thereafter terminated by PBGC, it was agreed that Icahn would pay \$240 million dollars. The Bankruptcy Court approved the CSA, and it was later incorporated in a Plan of Reorganization approved by the Bankruptcy Court. Neither IAM nor any other party took an appeal from that decision, which became final and binding.

Although PBGC might otherwise have terminated the TWA plans in 1993 due to their underfunded status, PBGC decided to sign the CSA. Because PBGC did not object to the agreements between TWA and its employees' unions to freeze benefit accruals and continue the plans, TWA was able to emerge from bankruptcy as a going concern with TWA's employees still in their jobs. 

After almost eight more years of pension funding, the TWA pension plans terminated on January 1, 2001. PBGC became trustee the following day and has been paying benefits in accordance with the terms of the pension plans and ERISA.

3. Your Plan Benefits

Documents available to the Appeals Board show that you participated in the TWA Retirement Plan for Non-Contract Employees (the Non-K Plan) until January 1, 1992, when you became a participant in the TWA Retirement Plan for Mechanics and Related

Employees, Dining Service Employees and Passenger Service Employees (the IAM Plan). The governing documents for these two plans show that the Non-K Plan has a salary-based formula while the IAM Plan has a service-based formula.

Enclosure 1 is a copy of TWA's calculation of your benefit under the Non-K Plan. It shows that your accrued benefit was \$594.30 payable as a Straight Life Annuity starting at age 62. However, because you started receiving your benefit in November 1997 when you were 55 years old, your accrued benefit was reduced by 5% per year (from age 62 to age 55) to reflect the longer period of payment. Thus, because you did not wait until age 62 to start receiving your benefit, your monthly benefit under the Non-K Plan is \$386.30 (\$594.30 times 65%).

Enclosure 2 is a copy of TWA's determination of your benefit under the IAM Plan based on your service during 1992. It shows that your accrued benefit was \$23.34 payable as a Straight Life Annuity starting at age 65. However, because you started receiving your benefit in November 1997 when you were 55 years old, your accrued benefit was reduced by 5% per year (from age 65 to age 55) to reflect the longer period of payment. Thus, because you did not wait until age 65 to start receiving your benefit, your monthly benefit under the IAM Plan is \$11.67 (\$23.34 times 50%).

Thus, although your total accrued benefit under the two plans was \$617.64 (\$594.30 plus \$23.34), that amount was reduced to \$397.97 (\$386.30 plus \$11.67) because you chose to start to receive your benefit at age 55.

4. The IAM "B" Plan

The IAM "B" plan is not a defined benefit plan, and therefore, benefits payable to you under that plan, if any, are not insured by PRGC. You may direct questions regarding any benefits payable to you under the "B" plan to the main office of IAM District #142 at Air Transport District 142, 400 N.E. 32nd Avenue, Kansas City, MO 64116. The main office's telephone number is 1-816-452-6646.

Decision

Having applied the law and PRGC's rules to the facts in this case, the Appeals Board decided that we must deny your appeal. This decision is the agency's final action regarding your appeal. You may, if you wish, seek court review of this decision.

PLEASE NOTE that PRGC will always, even after an appeal is

closed, consider any new, specific evidence that you present showing you may be entitled to a higher benefit. If you have or obtain any such evidence, please send it to PRGC, Attn: Insurance Operations Department, Trusteeship Processing Division #1, P.O. Box 151750, Alexandria, Virginia 22315-1750. If you need more information about your benefit, please call the Customer Contact Center at 1-800-400-7242.

Sincerely,

A handwritten signature in cursive script that reads "Michel Louis".

Michel Louis
Appeals Board Member

Enclosures (2)

cc: The Honorable Mitch McConnell