

## UAL faces pension liability gap

Mon Jun 14, 6:00 AM ET - TheDeal.com

by Soma Biswas

Now that it's reached a deal to slash retiree medical and life insurance benefits, UAL Corp. is likely to eye reducing its huge pension liability.

The United Air Lines Inc. parent on Thursday, June 10, signed an agreement with its workers to cut retiree benefits to the tune of \$300 million from now through 2010.

UAL said it would file a motion with the U.S. Bankruptcy Court for the Northern District of Illinois in Chicago to win approval for the agreement.

The retiree benefit cuts are small compared with the pension liability shortfall that United faces. Industry experts think the airline may go after those next.

"There's a major question as to whether the retirement pension system will last or whether that will also get abrogated," said Morton Beyer of aviation consulting firm Morton Beyer & Agnew Inc.

He says United faces a pension funding gap of about \$5 billion.

United may need to eliminate or slash pension liabilities to win approval for a \$1.6 billion of loan guarantee from the Air Transportation Stabilization Board.

On June 4, United asked the Chicago court to extend its exclusive right to file a reorganization plan within three months to Sept. 30 because it remains uncertain about the ATSB's decision.

The benefit cuts deal covers retired United workers represented by two of its biggest unions, the Association of Flight Attendants and the International Association of Machinists and Aerospace Workers. It also affects retired pilots and management workers as well as those in smaller unions.

The smaller unions impacted include the International Federation of Professional and Technical Engineers, the Professional Airline Flight Control Association and the Transport Workers Union of America.

In May, United cut a separate deal on retiree medical benefits with the Aircraft Mechanics Fraternal Association.