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BOOK CORNER: **PENSION DUMPING**, BY FRAN
HAWTHORNE
Tom Sablak, FSA

If pension plans have traditionally been considered to involve “sacrosanct promises” made by employers to employees, and if pension laws have been designed over the years to prevent the termination of underfunded defined benefit plans, then why does the PBGC run deficits measured in billions of dollars? Have bankruptcy laws actually made it relatively easy for organizations and industries to “dump” their underfunded plans onto the PBGC? And why has the PBGC—and ultimately retirees—been virtually powerless to stop this practice?

In *Pension Dumping: The Reasons, the Wreckage, the Stakes for Wall Street* (Bloomberg Press, 2008), Fran Hawthorne offers answers to these important questions. As a senior editor and senior writer at *Fortune* and *Institutional Investor*, Hawthorne has covered the pension industry for over twenty years, and her book guides us through the myriad of ERISA rules, PBGC regulations, bankruptcy laws, and investor expectations that have failed to prevent, and have perhaps even have contributed to, many high-profile plan terminations.

In the first section, “The Reasons,” Hawthorne suggests that underfunded pension plans are often not the primary reason that companies file for bankruptcy, but rather that distress plan terminations are sometimes the convenient course of action for companies that find themselves in bankruptcy court. She then examines the shortcomings of ERISA and bankruptcy law in the second section titled “The Laws,” arguing that the goal of bankruptcy proceedings, more often than not, is to help companies emerge from Chapter 11 and not to protect pensions. As a result, the PBGC, created by ERISA, is simply just another creditor in the bankruptcy process. While the PBGC’s standing in bankruptcy proceedings may not come as a surprise to pension actuaries who have followed the headlines over the years, Hawthorne’s account of the fate of pension plans in bankruptcy court is certainly worth reading.

According to Hawthorne, Wall Street and so-called “vulture investors” have also played a significant role in encouraging pension dumping, and she devotes the third section of her book to “The Investors.” In this section, through interviews and other research, she shows how those who invest in distressed companies are keenly aware that pensions can be dumped and are often only too happy to take advantage of this option. In the final section, titled “The Future,” Hawthorne argues that, since the Pension Protection Act does not contain provisions that could put an end to the practice of pension dumping, the best hope for reversing the trend may be to revisit bankruptcy law.

The Pension Section of the Society of Actuaries is thrilled to welcome Fran