

The *Ambachtsheer* Letter

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THE UNITED AIRLINES CASE: TIPPING POINT FOR U.S. PENSION SYSTEM?

“The company’s investment strategy emphasizes diversification among asset classes, among investment strategies, and among investment managers...”

Rich Nelson, *UAL*
As quoted in the *New York Times*, Aug. 13, 2004

The *United Airlines* Case

The unfolding *UAL* pensions story is rapidly becoming a cause celebre for the U.S. workplace pensions system. In this *Letter* we suggest the case has the making of a ‘tipping point’, that marginal element in a heretofore apparently steady-state system that tips the balance toward disequilibrium and material change. Why? Because the *UAL* story is ruthlessly unmasking the fiction that the mere existence of *ERISA* automatically aligns the financial interests of such disparate stakeholder groups in corporate DB plans as retirees, active employees, shareholders, corporate management, and the *Pension Benefit Guaranty Corporation (PBGC)*. The case is laying bare for all to see the reality that the financial interests of these stakeholder groups are in fact potentially conflicting. It is also painting a clear picture of the conditions required to turn potential conflict into actual pitched battle. What are we to make of all this from a strategic perspective? What are the strategic lessons to be learned from the *UAL* case, and what actions do they imply? Those are the questions this *Letter* addresses.