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Pension Agency Plans Filing to Aid Global Crossing Workers

By DAVID CAY JOHNSTON

ROCHESTER, Nov. 24 — A tug of war over the pension plan for 5,500 telephone employees and retirees who were caught up in the upheaval of Global Crossing appears to be coming to an end. And union members who fought to protect their benefits may win for a curious reason: the drop in the stock market.

Global Crossing, the fiber optic company, went public in August 1998 and quickly soared in value to \$47 billion. Then, after its insiders had cashed in \$5.2 billion of stock, it sought refuge in federal bankruptcy court last January from creditors owed \$12 billion. Thousands of workers lost the majority of their 401(k) savings, most of which the company required them to hold in its shares and blocked them from selling.

The Pension Benefit [Guaranty Corporation](#), the federal agency that protects traditional defined benefit pension benefits, said it would ask the United States District Court in Manhattan on Monday to terminate the pension plan, which Global Crossing owns.

The agency said the filing on Monday was intended to protect the interests of workers while seeking completion of a deal made last year to transfer the pension plan to the company that bought Global Crossing's local telephone operations in Rochester, which ran under the names Rochester Telephone and Frontier.

When the bankruptcy was filed, the pension fund had a \$500 million surplus. The company and its creditors had sought to keep the plan, replacing pension benefits with annuities so that creditors could use the surplus to offset the company's debts. But that was not the outcome favored by the guaranty agency or Local 1170 of the Communications Workers of America, whose 1,400 members participate in the plan.

The guaranty agency said a federal bankruptcy court judge in New York is scheduled to decide on Dec. 4 whether the pension plan assets can be liquidated, which would end federal protections for the workers and retirees. The plan has been frozen since 1996, when workers stopped earning additional benefits. The agency's filing on Monday makes liquidation less likely.

"We cannot allow an abusive arrangement that shoves an underfunded pension plan into a liquidating trust where all

the gains belong to a select group of creditors and all the losses are dumped" on the guaranty agency, said Steven A. Kandarian, executive director of the agency.

John Pusloskie Jr., a vice president of Local 1170, said the union members wanted the pension plan assets transferred to Citizens Utilities, the Connecticut telephone and water company which bought Global Crossing's local telephone operations in Rochester in 2001. Global Crossing did not immediately transfer the assets, as the New York Public Service Commission ordered. Once the bankruptcy filing was made, the assets were frozen.

Since then the plan's assets, much of which were in the stock market, have lost value, meaning that there is no surplus to interest creditors. The guaranty agency said the plan now has assets of \$473 million and liabilities of \$578 million if it is ended, a \$105 million shortfall that could become an obligation of the agency. The agency guarantees pensions up to \$42,954.60 a year for those retiring at age 65, but because of the way it values benefits, those who retire early often see their benefits severely cut.

If the assets are transferred to Citizens Utilities, the deficit may vanish because different accounting rules apply to continuing plans, the agency said. Indeed, Local 1170 and its lawyers think there are enough assets to allow workers to retain some early retirement benefits, an important issue for those who spend years climbing utility poles in the harsh winters of western New York.

Mr. Pusloskie and Thomas J. Hart, a Washington lawyer for the union, said that on Friday they received a bankruptcy court document indicating that Global Crossing now wants to turn the pension plan over to Citizens Utilities. Doing so would free creditors from making up any shortfall in the plan, assuming that Citizens Utilities would still accept the assets.

A Global Crossing spokeswoman, Rebecca Yeamans, said she was not aware of any company initiative or any agreement by creditors to move the assets to Citizens Utilities. Robert Braden, manager of Rochester telephone operations for Citizens Utilities, did not return calls.