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VERNUCCIO: Riches for unions, but not their retirees

Labor bosses would cut pensions to fix insolvency

By F. Vincent Vernuccio

Organized labor has long pointed to pensions as a key reason to join their unions, but many of those promised benefits are now in serious trouble. After decades of promising a secure retirement, unions need to chip in and protect their members' pensions.

Certain union pension plans, known as multiemployer plans, are collectively bargained between a union and several private-sector employers. Many of these plans, however, are dangerously underfunded, and some could be headed toward insolvency.

The Government Accountability Office (GAO) in March released a report, "Timely Action Needed to Address Impending Multiemployer Plan Insolvencies," detailing that "many multiemployer plans have had large funding shortfalls and face an uncertain future."

The GAO noted that the resources of the government's pension insurance agency — the Pension Benefit Guaranty Corp. (PBGC) — dedicated to multiemployer funds "would be exhausted in about two to three years if projected insolvencies of either of two large plans occur in the next 10 to 20 years."

With some plans facing catastrophe, a coalition of employers and labor unions recently published a report, "Solutions, not Bailouts," making recommendations to fix these underfunded pension plans. Their solution: reduce retiree pensions.

The vast majority of the unions in the coalition, including the Teamsters and the United Food and Commercial Workers, are affiliated with pension plans that are less than 65 percent funded.

The committee recommended "No participant's benefit can be reduced to below 110 percent of the applicable PBGC guarantee level." The PBGC's yearly guarantee to multiemployer plan participants is $12,870 for someone with 30 years of service. If the proposal is enacted, this means that retirees could see their benefits reduced to less than $1,200 per month.

Multiemployer plans are run jointly by representatives from the union and the several businesses involved. While the union and the employers have equal representation, the union can vote in a bloc and if it sways only one employer representative to its side, it controls all of the decisions.

Despite that level of control, the unions generally do not give any financial support to the pension funds. Employers are assessed contributions, and in some cases, unions agree to contracts that call for employee contributions, too.

Instead of these unions offering to help shore up their plans with their own assets, the main recommendation is to jeopardize the retirement of their current and former members. Union leaders like Teamster President James P. Hoffa are seeing discord within their ranks over the proposal.

Illustration by Greg Groesch for The Washington Times

But as Mr. Hoffa asks for sacrifice from employers, members and retirees, Teamster assets grow. According to financial data given to the U.S. Department of Labor, in April the Teamsters reported $226 million in assets, up almost $14 million from 2012. This included the building the union owns across the street from the Capitol in Washington valued at almost $46 million. Mr. Hoffa's total compensation in 2012 was $367,000 and 168 Teamster employees have six-figure salaries.

In multiemployer plans, every employer is responsible for the retirement of every employee in the plan, even those who do not work for them. If a business leaves, it has to pay its share of the liabilities of the plan, which can far exceed the retirement costs of the workers they actually employed.

George Kerver, president of Fastdecks Ex, a concrete form company in Walled Lake, Mich., may need to pay the Teamsters' pension plan $465,774. The reason is that Mr. Kerver could not afford keep a part-time driver as a result of a lack of business. By downsizing his part-time employee (the only Teamster who worked for him), Mr. Kerver triggered a process known as "withdrawal liability" from the Teamsters' pension plan.

While almost half-a-million dollars may seem like a lot to a small business, it pales in comparison to the $6 billion that United Parcel Service gave the Teamsters in 2007 simply for the ability to opt out of the union's pension plan and support its own workers' retirement.

Unions — in this case, the Teamsters — help govern these pension plans, making them in part responsible for their health, or lack thereof. But it is the employers and the employees who bear all the risk. Employers pay into the plan and must make up previous underfunding. Employees bear the risk of not receiving their promised retirement if the plans go under.

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