

...Union pension funds impacted

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son of Portland-based Quest Investment Management, an adviser to union pension funds. "That is political season rhetoric," Johnson said. "This was designed to thaw the pipeline of credit."

In September, the credit pipeline began to "freeze" because banks held so many assets that had lost value, and stopped lending to each other — fearing the money would be lost if the borrower went bankrupt. Even the market for "commercial paper" (unsecured short term corporate loans) was grinding to a halt, as money market funds, a major buyer, stopped buying. Large companies were at risk of running out of money and failing to meet payroll obligations.

Johnson points out that taxpayers will have a chance to be repaid when the government sells back the securities it's now buying.

Workers too, have a stake in Wall Street — above all through their pension plans. Stocks have lost a fifth of their value almost overnight, and that will have an impact on retirement security.

There are two basic kinds of pension plans, and both are under threat because of the crisis. So-called "defined contribution" plans, popularly known as 401(k)s, are typically invested in stocks, and they've lost value in the crash. In 401(k) plans, individual workers shoulder the risk if investments do poorly. And it's been a bad year: Over the past 12 months, more than half a trillion dollars in value has evaporated from 401(k) plans.

In the more traditional "defined benefit" plans, the employer or employer group assumes the risk: They commit to paying retirees a fixed monthly check, and they set aside money to make sure they are able to



The anger was audible at an Oct. 1 anti-bailout rally of union members and workers rights activists held outside the downtown Portland federal building. Similar rallies took place around the country.

meet that obligation. That money is invested. But this year, those pension fund investments lost value. That will put pressure on employers to increase contributions to help make up for the losses. And that could have an impact on workers' wages.

Many unions take part in jointly-trusted pension plans with employers. Typically, how much employers contribute to those pension plans is part of the contract that unions negotiate. Because of the recent losses employers

are likely to want to increase pension contributions — and that would leave less money available for pay raises.

In the coming weeks and months, pension fund trustees will start to get a better handle on how much their funds have lost in this crisis. In the 2001 recession, many pension funds lost 20 to 30 percent of their value, and it took several years to overcome those losses.

Congress may end up relaxing the rules on defined benefit pension funds to give them more time to make up for the losses. They've done that in the past, but this time, they may have an additional reason: The Pension Benefit Guaranty Corporation, the federal entity that insures pension funds, may itself be in trouble. PBGC collects premiums from pension funds and pays out if the funds can't meet their obligation to retirees. Until February, the PBGC had 75 percent of its reserves in bonds — low-risk debt instruments which hold their value over time. But that month, arguing that the PBGC needed to increase returns in order to lessen the likelihood that taxpayers would be called on to cover its liabilities, the PBGC Board reduced bonds to 45 percent of the mix, and put the remainder in higher risk investments.

In April, the Congressional Budget Office warned that was a bad idea, because it meant PBGC was more likely to experience a decline in the value of its portfolio during an economic downturn — the point at which it is most likely to have to assume responsibility for a larger number of underfunded pension plans. That warning now looks prophetic.

Ultimately, so much of the current crisis could have been avoided if the titans of finance had acted more like a little credit institution at 9955 SE Washington St. in Portland. IBEW & United Workers Federal Credit Union is a non-profit financial cooperative that is run in the interest of its 14,526 depositors — local union members and their families. Their \$60 million in deposits are managed conservatively.

There are 83 credit unions in Oregon with approximately 1.4 million members. Some are associated with union locals. All credit union depositor accounts are federally insured up to \$250,000.

"Our members are also union members," said credit union president Barbara Mathey, "and people join unions because they like that extra security."

The credit union makes mortgage and consumer loans, but only to members, and only if loan officers are sure borrowers aren't in over their heads. And it doesn't sell the loans to other entities, but holds them until they're repaid.

The current financial meltdown began when a housing price bubble popped — a bubble that low government-set interest rates and lax private lending standards helped set. If DeFazio's skepticism of Wall Street orthodoxy had held sway, or if Mathey's prudent practices had been the norm in banking, workers might not now be facing a season of uncertainty.

IN MEMORIAM

Steve Armony, a longtime union leader among Portland Public Schools (PPS) custodians, was killed Oct. 6 in a car crash on his way to work at a Beaverton elementary school.

Armony, 53, worked for almost 30 years at PPS. He was head custodian at Franklin High School — and chair of Service Employees (SEIU) Local 140 Executive Board — when the district contracted out cleaning of the schools and terminated its custodial workforce in 2002. After the Oregon Supreme Court ruled the outsourcing illegal in 2005, Armony was one of the two-thirds of custodians who chose not to return to PPS. But he chaired the steering committee that handled negotiations over the reinstatement. And he joined PPS' Custodial Civil Service Board, first as board secretary, and then as a member of the board, which oversees the hiring process and disciplinary appeals for district custodians.

After the outsourcing, Armony had

found work at the Beaverton School District, first as a courier and later head custodian at Fir Grove Elementary, where he became a member of the Oregon School Employees Association (OSEA). He retired in 2006, but continued to work part time for the Beaverton School District as a custodial substitute. The morning of the accident, he was on his way to Hazeldell Elementary to substitute for fellow custodian and OSEA local President Terry Graham, who had taken that day to work on union business.

Just before 5:45 a.m., Armony was driving his Nissan pickup on Tualatin Valley Highway when the driver of a Chevrolet Suburban ran a red light and crashed into him at the intersection with Murray Boulevard. The crash and investigation slowed local traffic for hours.

Armony is survived by his wife, Vanessa, and a daughter, Lauren, a student at Cleveland High School.

A funeral was held Oct. 11.

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