

# ...What happened to retirement?

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have an equal say in managing a pension fund if they were obligated to contribute to it under a collective bargaining agreement. Those plans — which became even more tightly regulated by the Employee Retirement Income Security Act of 1974 (ERISA) — have proved quite stable, because they're required by law to have enough assets on hand to pay future pension commitments. And unlike "single-employer" plans, multi-employer plans can't easily be terminated or abandoned when a company gets into distress.

And yet, even the most stable plans lost money in the stock market crash. Overall, pension plan assets declined by 26 percent in 2008, according to a March 2009 analysis of the 100 largest U.S. pension plans. And losses had a lot to do with how heavily plans were invested in stocks. Plans that had less than 20 percent of their portfolio in stocks lost an average of 6 percent, while those with 90 percent or more lost 32.3 percent of their value. [On average, the 100 largest pension plans had about 55 percent of their assets in stocks.]

Oregon's largest private-sector pension plan is the Oregon Retail Employees Pension Plan, which covers members of United Food & Commercial Workers Local 555 — 36,000 individuals, including 16,650 current employees, plus 6,093 retirees. And last year its assets lost 29 percent of their book value.

Local 555 President Dan Clay, who is a union trustee of the plan, said that's going to mean benefit cuts, maybe even to current retirees. The plan is now in "red" status. That designation comes from the Pension Protec-

tion Act of 2006, which made aggressive adjustments to ERISA's standards for how defined-benefit pensions must account for the costs of future benefit payments.

Red status means that a pension fund is critically underfunded, "yellow" says a fund is "endangered," and "green" means the fund is in good shape.

Nationwide, 38 percent of Taft-Hartley plans are in red status and 41 percent are in yellow.

When plans are declared to be in red status, trustees must make adjustments to the benefit formula to account for the losses. Adjustments can be made in a number of ways: Employer contributions can be increased and benefits can be decreased. Typically, any "extra benefits" trustees set up when times were flush are revoked. These include subsidies for early retirement, payments for retiree health coverage, and disability benefits. Trustees also reduce the rate at which pension obligations accrue — in other words, for current workers, the formula that adds benefits for each additional year of work becomes a little less generous. The benefits that were promised for previous years of work may still stand, but the promise of a monthly retirement check won't grow as much while plans are struggling to make up investment losses.

That can cause a shock among workers who were expecting more. Union locals around the country are holding special meetings to talk about pensions. At one such meeting in Portland May 6, participants in the West-

ern States Office and Professional Employees Pension Fund were upset when trustees announced a cut-back in early retirement benefits. The fund, which covers current and former members of Office and Professional Employees (OPEIU) Local 11, had investment losses of 32.5 percent last year, and was declared in the "red" zone. In response trustees resolved to increase em-

ployer contributions, reduce future benefit accruals, increase the normal retirement age to 65, eliminate some death and disability benefits, and eliminate the early retirement subsidy. Current retirees, at least, are unaffected.

"It's fun to give out extras, but it's terrible to have to take them back," said Local 11 Executive Secretary-Treasurer Mike Richards, a fund trustee. "It makes me sick at heart to have to do it. But we have to make sure the trust survives."

Clay, who's been a trustee for six years, says federal rules made the current crisis worse. When stock values were rising quickly, pension funds — on paper anyway — had bigger balances than they needed to pay the promised future benefits. But federal pension rules penalize "overfunded" pensions, and encourage trustees to spend the investment gains in various ways — extra benefits like more generous cost-of-living increases or bonus "13th" checks to retirees — or in some cases, letting employers lower or take a break from making pension contributions. Now, all those measures are making today's pain worse. If the funds had held on to the investment gains, their assets might have still lost value, but from a higher starting place.

"People tend to want to smooth losses," Clay said, but they don't look at gains as something that should be smoothed."

For the most part, workers can leave it up to union and employer trustees to worry about how to make up pension funding shortfalls. Not so with the much-ballyhooed 401(k)s. Even before the crash, there were seri-

ous problems with 401(k)s as vehicles to secure retirement: high fees, a tendency to cash out savings before retirement to cushion economic shocks like layoffs, and inadequate balances. [For workers to turn a 401(k) into a modest annuity that pays out \$20,000 a year, they need to retire with a balance of about \$260,000. But most balances aren't anywhere near that. The average balance for a worker nearing retirement is around \$60,000. And that was before the crash.]

But the stock market downturn has exposed 401(k)s biggest flaw for all to see — all the investment risk is borne by the individual. Just before the stock market crash, more than 70 percent of the assets in 401(k) plans were in the stock market, according to figures from the Federal Reserve. Stock prices have plunged by more than 40 percent from the market's peak in November 2007.

"For too many Americans, 401(k) plans have become little more than a high stakes crap shoot," said Congressman George Miller (D-Calif.), who chaired a Feb. 24 hearing of the House Subcommittee on Health, Employment, Labor, and Pensions. "If you didn't take your retirement savings out of the market before the crash, you are likely to take years to recoup your losses, if at all. We are realizing that Wall Street's guarantees of predictable benefits and peace of mind throughout retirement was nothing more than a hollow promise."

Given the woes of private pensions, Social Security has never looked better.

"When you consider the trillions that employees have lost in retirement investments," Miller said, "thank goodness we didn't get suckered into gambling Social Security funds at the Wall Street casino."

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## OPEIU Local 11 members at NW Natural reject contract

Workers at NW Natural rejected the company's five-year contract offer May 28 and are now working without a contract.

About 700 workers at the gas company are represented by Office and Professional Employees Local 11.

The contract vote was 206 to accept and 230 to reject.

Local 11 Executive Secretary-Treasurer Mike Richards said he will meet with shop stewards June 8 and try to meet with the company June 15 or 16.

Richards said the rejected proposal contained guaranteed cost of living adjustments ranging from 1 to 6 percent; no co-payments for health insurance for the first two years of the pact, and then no more than 3 percent premium-sharing after 2011, based on a cost of living adjustment. The proposal also guaranteed no layoffs for workers hired before April 1, 2004 (approximately 75 percent of the workforce), and it of-

ferred \$400 to cover a change in pay periods.

"We will meet with our stewards to determine what the issues are, then we'll proceed from there," Richards said.



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