

# Multi-employer pension plans still not out of woods

By **DON McINTOSH**  
Associate Editor

For union pension plans, last year's stock market meltdown could mean next year's benefit cuts and/or steep increases in employer contributions — if Congress doesn't change pension funding rules. Local pension trustees are even saying privately that some union pension plans could fail and be taken over by the Pension Benefit Guaranty Corporation if they're not given more time to make up for investment losses.

Congressman Earl Pomeroy (D-North Dakota) has circulated a draft bill that would do just that.

A multi-employer plan is a pension arrangement between a labor union and a group of at least two unrelated employers, usually in a common industry. Tightly regulated by the federal government, the pension plans are based on the trusts' promise to pay a certain amount per month to workers when they retire, usually based on years of service. To make sure there is enough money to pay the promises, employers may contribute a certain amount for every hour employees work, and those contributions to the pension fund are invested. Decisions about the level and kind of benefits, and about where and how to invest, are made jointly by union and employer trustees, advised by an array of lawyers, pension administrators, actuaries, and investment managers.

If investments lose value, a pension plan can become "underfunded." Fed-

eral rules say that when a plan becomes substantially underfunded, trustees must prevent insolvency by some combination of benefit cuts and contribution increases.

That's where it gets tricky for the jointly trusted union pension plans. On the one hand, the amount employers contribute is part of collective bargaining agreements, and those can be time-consuming and difficult to change. On the other hand, trustees are not allowed to cut benefits to workers who have already retired. So they can only cut the rate at which future pension obligations accrue, and optional "extras" like early retirement benefits and death and disability benefits. And that may not be enough in some cases.

The problem is especially severe for some building trades union pension funds, because at the same time investments have lost up to a third of their value, union members ("plan participants" in pension jargon) are out of work, meaning their employers aren't making those hourly contributions on their behalf to the fund. The healthiest plans are the ones with lots of "active participants" working relative to the number of retired participants. Plans with a high proportion of retired participants — where unions are losing market share or where their industry is shrinking — are at the biggest risk when investments lose value.

Nationwide, the proportion of active participants in multi-employer pension

plans has been falling for decades — from 76 percent in 1980 to 45 percent in 2006. The remainder are retirees and inactive participants (workers who are not yet vested or no longer employed but are not yet collecting benefits).

Pension plans are insured by the Pension Benefit Guaranty Corporation, which takes over plans that default on their pension obligations. Only 10 multi-employer plans have ever been taken over by PBGC, and none since 1980. In short, union-affiliated multi-employer defined benefit pension plans are among the most stable and secure retirement plans out there. Could the current crisis render even them insolvent?

Multi-employer pension plan trustees hope they won't have to answer that question, if Congress acts to give plans more time to rebuild assets. That would give the stock market time to rebound — re-inflating the value of assets and solving the pension plan shortfall painlessly. Alternately, a longer time frame could allow employers to make up a shortfall with a smaller increase in contributions over a longer time.

Lynn Lehrbach, a union rep for Teamsters Joint Council 37, is a trustee of the 11-state Western Conference of Teamsters Pension Fund, one of the largest private-sector union pension plans in the country. The Western Conference pension is about 85 percent funded, Lehrbach said, so it's not one of the hardest hit. But Lehrbach said he's concerned about other unions' funds, and during the August recess, he talked with much of the local congressional delegation about the need for action.

Lehrbach said workers shouldn't have to pay for the misdeeds of what he termed "banksters."

Pomeroy was expected to introduce his bill after an Oct. 1 hearing of the House Ways and Means Committee, of which he is a member. [Earl Blumenauer (D-Ore.) is also a member.] The bill would allow multiemployer plans that remain solvent to make up losses over a 30-year period. The bill would also make it easier for troubled multi-employer plans to merge. If PBGC de-

termined that such a merger would reduce its likely long-term loss, it would facilitate such alliances by providing direct or indirect financial assistance.

The House Education and Labor Committee also has jurisdiction over pension matters, and held hearings earlier this year. [Congressman David Wu (D-Ore.) is a member.] In June, committee chair George Miller (D-Calif.) introduced HR 2989, which would give multi-employer plans another five years to make up the unfunded liability.



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