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# Union pension funds face slow-motion crisis

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Two years after a severe Wall Street downturn, working people continue to suffer not just joblessness, but reduced chances for a secure retirement. About 10.4 million American workers are counting on retirement benefits from multiemployer union pension trusts, but the value of those trusts' investment assets, on average, fell 22 percent in 2008.

The traditional "defined benefit" pension, a hallmark of union employment, is an employer promise of a fixed monthly sum for workers when they retire. It's paid for with hourly or monthly contributions that are invested and held long-term. Union or nonunion employers can sponsor single-employer pensions, but multiemployer pensions are uniquely union. And nearly half of multiemployer pensions are in trouble.

"It's really clear that our government officials aren't aware of the magnitude

of the problem," says Joe Kear, Machinists District Lodge 24 business representative, and a trustee on the multi-state Automotive Machinists Pension Trust.

Of the 1,500 multiemployer pension trusts in the United States, about 45 percent have less than 80 percent of the assets they need to pay future benefits, and the hardest-hit, about 30 percent of the total, face funding deficiency or insolvency within seven years. The 80 percent threshold triggers a legal requirement: Trusts have to reduce employee benefits, and increase employer contributions. The intent of that requirement is to avoid insolvency and a bailout from the federal government's Pension Benefit Guaranty Corporation (PBGC). But the required catch-up contributions may be costly enough to put some employers out of business, increasing the burden on those that remain.

The Automotive Machinists Pension Trust is a good example. The value of its investment assets fell from \$1 billion to \$650 million in the downturn. In terms of "actuarial value" the trust went from 95 percent funded to 75.9 percent. And like many other union trusts, it has a particular vulnerability: It's a "mature" plan, heavy with retirees. About 5,000 retirees are collecting benefits and 3,000 vested former workers are owed future benefits, while just 2,000 "active" workers have employers contributing to the trust on their behalf. For the trust to make up for that \$350 mil-

lion investment loss tomorrow would amount to about \$175,000 per active worker. Federal law requires the trust to adopt a 10-year plan to improve funding. So its labor and management trustees resolved to trim benefits and ramp up employer contributions starting July 1, 2009.

Two years ago, an assembly worker at Daimler Trucks North America's Portland truck plant could retire at age 55 after 30 years on the job — and collect 71.6 percent of the full retirement benefit from the Automotive Machinists Pension Trust. Today, a worker in the

same situation would get 35 percent of the full benefit.

The trust is now levying a 10 percent employer pension surcharge, an amount that will increase to 75 percent in the next three years. At UPS, that will mean paying an extra \$11,630 a year for each union-represented truck mechanic. The money would fill a hole created by the financial market meltdown, not add to worker benefits.

Oftentimes, that extra "employer" contribution comes directly out of workers' wages. That's particularly the case in building and construction trades unions, which account for about half of all multiemployer pension trusts. The multiemployer pension trust model works well in the construction industry because it has many small employers and skilled workers who hire out to multiple employers over the course of a career. In many unions, the custom is to

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## Oregon's Worker Freedom Act survives court challenge

Oregon's Worker Freedom Act has survived its first court challenge. In a May 6 ruling, U.S. District Court Judge Michael Mosman dismissed a lawsuit by two business groups that wanted the union-authored state law struck down.

The Worker Freedom Act, which took effect, Jan. 1, forbids Oregon employers from firing or otherwise disciplining workers for refusing to attend or participate in workplace anti-union meetings, or meetings held to express an employer's religious or political views if those aren't work-related. If an employer holds such a mandatory meeting and disciplines a non-complying worker, the worker can sue and win reinstatement, triple damages and attorneys fees. Basically, employers can hold the meetings; they just can't force workers to attend.

But Associated Oregon Industries (AOI) and the U.S. Chamber of Commerce argued in their lawsuit that the Worker Freedom Act would violate employers' freedom of speech, and would run afoul of the legal precedent that the National Labor Relations Act, a federal law, pre-empts states laws that cover the same ground.

Mosman didn't rule on those questions. Instead, he dismissed the suit because the business groups failed to show that their members were harmed by the defendants they named in the suit — Oregon Labor Commissioner Brad Avakian and Portland-headquartered Laborers Local 296.

AOI and the Chamber argued that their business members, including Silvertown-based cooked meat processor BrucePac, suffered harm because they had to forego mandatory anti-union meetings — for fear that Avakian would enforce the law against them and that Local 296 would encourage disciplined workers to sue.

But Avakian declared that he had no authority or intention to enforce the law, which spells out that it's meant to be enforced by private lawsuit. And, Mosman wrote, "until an employer holds a mandatory meeting, and then ... [disciplines] an employee who refuses to attend, the Laborers Union cannot 'encourage' an employee to sue."

The Worker Freedom Act, the first state law of its kind, continues to be in force.



### Special pickup

**Bobbi Harrison, a member of the National Association of Letter Carriers Branch 82, picks up a bag of groceries from a postal customer in Ladd's Addition May 8, part of the Stamp Out Hunger national food drive sponsored by Letter Carriers and the U.S. Postal Service. More than 4,200 urban and rural letter carriers throughout Oregon and Clark County, Wash., joined in collecting 1,866,683 pounds of food this year. "That's a 16.25 increase over last year," said Oregon Food Bank Public Relations Manager Jean Kemp-Ware. "It's exciting coming around the corner and seeing all the yellow bags by the mailbox," said Harrison, who works out of the East Portland Post Office. "We've got a great community. It's really cool." Nationwide, 19,724,393 pounds of food had been gathered at press time, pushing total donations collected since the drive began 18 years ago to more than one billion pounds.**

## Building trades back bid for private casino

A proposed private casino in east Multnomah County has won support of the Columbia Pacific Building and Construction Trades Council.

Lake Oswego financial consultant Bruce Studer and lawyer Matt Rossman on May 7 announced formation of a financial partnership to fund construction of a casino and entertainment center at the defunct Multnomah Kennel Club in Wood Village east of Portland.

Plans are in the works to build the complex under an all-union project labor agreement with CPBCTC.

In order to proceed, however, the developers must secure two ballot measures. The men have formed a political action committee called the Good for Oregon Committee.

One measure is a constitutional amendment creating an exception to allow one private casino to operate in Oregon. The second measure details how much will be spent initially to build the casino (\$250 million) and where some of the profits will go. The

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