

...Some pension plans in trouble

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bargain with the employer group to set a fixed dollar-per-hour amount for wages and benefits, which the workers then decide how to divvy up.

With 381 actives and 111 retirees in four union locals in Oregon, Idaho, and Montana, the Cement Masons Employer Pension Trust had generous benefits and a healthy funding level as of 2007. But investment losses pounded the funding level down to 65 percent in 2009, and trustees determined employers would need to pay an extra \$2.76 an hour, bringing the total pension contribution to \$8.14 an hour. It meant, for members, giving up two years of wage increases.

The trustees also reduced the rate at which future benefits accrue, and cut the subsidy for early retirement. Cement masonry is physically demanding, said Cement Masons Local 555 Business Manager Brett Hinsley, and a number of members were expecting to use the early retirement benefit to leave the trade before the work took too great a toll on their bodies.

"They were very upset," said Hinsley, who's also a pension fund trustee. "It was a pretty emotional time for a lot of people."

Adding to the frustration of trustees like Hinsley is that when the market was riding high, federal tax rules prevented pension trusts from building up reserves as a cushion against downturns. Until a few years ago, employers would lose the tax deductibility of pension contributions if pension trust fund-

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ing levels were over 120 percent. The Pension Protection Act of 2006 increased that to 140 percent, but the rule change came too late.

Particularly during the bull market of the 1990s, pension investments often soared in value. Employers in single-employer pension plans would respond to the "overfunding" by halting new contributions, but employers in multi-employer pension plans were locked into continuing contributions by multi-year union contracts. So to keep their tax deductibility, trustees had to spend down assets by making benefits more generous. They mailed bonus checks to retirees, increased future benefit promises, purchased extra retiree health ben-

efits, and gave lavish subsidies for early retirement. At one point, 55-year-old members of Cement Masons Local 555 with 10 years of service could retire with a full pension benefit.

"We would have kept the money in the fund, because we know the market goes in cycles, but we had no choice," Hinsley said. "That extra 20 percent would have really helped us ride out these rougher times."

That was Mark Holliday's thought too. Holliday — business manager of Operating Engineers Local 701 — has been a pension trustee for 24 years. Holliday said the strategy of the Associated General Contractors-Local 701 Pension Trust Fund has been to maintain the maximum tax-deductible funding level, and to favor lower-risk investments. Before the 2008 downturn, the trust's funding level was 114 percent. Because of that, the trust could lose \$48 million in 2008 (16 percent) and still be at 93 percent funding a year later. It meant — for 5,667 active, former, and retired heavy equipment operators — no benefit cuts or additional employer contributions.

Much worse is the scenario faced by Western States Office and Professional Employees Pension Fund, which was 93.5 percent funded at the beginning of the downturn. The fund began 2008 with assets worth \$507 million and ended with \$325 million. It gets worse: When a large employer in the fund, Consolidated Freightways, went out of business early in the last decade, the

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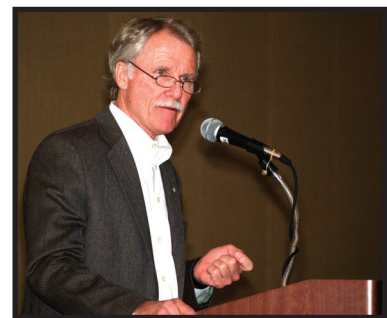
Bricklayers and Allied Crafts #1 recognizes longtime members

Bricklayers and Allied Craftworkers Local 1 recognized longtime members and new journeymen at a pin awards dinner May 8. The keynote speaker for the event was gubernatorial candidate John Kitzhaber.

Oregonians faced a similar economic downturn when Kitzhaber previously served as governor in the 1990s. Kitzhaber reminded the audience that then, as today, many Republican politicians blamed unions for the downturn. "In 1994, that view, and those tactics, resulted in Newt Gingrich and his 'Contract with America' taking both chambers of the U.S. Congress and both chambers of the Oregon Legislature," he said.

Kitzhaber also noted that his late father's generation — sometimes referred to as "the greatest generation" — not only saved the world by winning World War II, it also created America's middle class. "And the army in that great movement was the American labor movement," Kitzhaber said.

Pictured at top with Business Manager Keith Wright (left), President Matt Eleazer, and Apprenticeship Coordinator Shawn Lenczowski are pin recipients from left to right: Mike Ziebart,



Steve Rleson (seated), and Ernie Pyles, 25 years; Darrel Holmes and Ernie Mills, 50 years; and Terry Schroeder, 40 years.

Others eligible for pins were: 50-year members Jimmy Kruckenberg, John Lamb, and Samuel Paulsen; 40-year members Jack Kurtz, Jimmie Lamb, Gerald Luther, Leon Pace, and Robert Peterson; and 25-year members Darrell (Butch) Smith and Wesley Sorensen.

New journeymen at Local 1 are Scott Hassebroek, Jacob Hazel, Michael Hovey, Cletis Kroeker, Shane McKenzie, Jeffrey Olds, Phillip Russo, Cliff Shrader, Jason St. Clair, Jason Tanner, Darrel Urban, Larry Ward, and Steve Wolf.

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