

# Oregon unions call for LIBOR lawsuits, but no action yet

By DON McINTOSH  
Associate Editor

Eight weeks ago, a group of union leaders called on the State of Oregon to file suit against a group of banks in what's known as the LIBOR scandal. There's no sign the call is being heeded.

Oregon Gov. John Kitzhaber — and state legislators — have been pushing all year to trim public employee pension benefits in a variety of ways. Yet the pension system's underfunding stems from financial asset losses, public employee union leaders point out. One component of those losses is the LIBOR scandal, which is so complicated and underreported that most Americans still don't know about it a year after it broke.

LIBOR, pronounced "lie-bore," stands for London Interbank Offered Rate. It was created in 1986 by the British Bankers Association as a benchmark of interest rates. The way it works, every business day a panel of 16 big banks self-report at what interest rate they could borrow funds, in different currencies and loan durations. The highest and lowest rates are tossed, and the rest are averaged to produce the LIBOR.

LIBOR is a hugely important indicator. It is used to set the interest rates on credit cards, student loans, and adjustable-rate mortgages. It's also a reference point incorporated in a whole set of exotic financial instruments, includ-



**SEIU Local 503 leader Heather Conroy speaks at a May 3 press conference outside the downtown Portland Bank of America tower, where she criticized the state government for inaction nearly a year after the complicated LIBOR banking scandal broke. SEIU was joined by every other major public employee union at the event. Standing behind Conroy is Angela Martin of the group Economic Fairness Oregon.**

ing futures, options, forward rate agreements, interest rate swaps, floating rate notes, and syndicated loans.

But LIBOR's small panel size (just 16 banks) — and the voluntary, unregulated nature of the reporting — left it open to mischief. Banks found that they could manipulate the LIBOR rate, ei-

ther by falsely reporting what interest rate they would pay, or by colluding with other banks to do the same. A 2008 Wall Street Journal article raised suspicions that was happening, but it wasn't until June 2012 that the public knew for sure. That's when Barclay's bank agreed to pay \$453 million to U.S. and U.K. regulators. Since then, two other banks have settled: UBS agreed in December 2012 to pay \$1.5 billion to regulators, and the Royal Bank of Scotland agreed in February 2013 to pay \$612 million. In some cases, derivatives traders working at

bank trading desks had pushed other bank employees who reported the LIBOR quotes to provide high or low estimates depending on which would produce higher profits. In other cases, banks reported a lower interest rate than the true one in order to conceal troubled financial positions. With trillions of dollars of assets pegged to the LIBOR, the consequences for owners of those assets were huge.

So far, the City of Baltimore, several California counties, and several pension funds and investor groups have filed lawsuits against the banks on the LIBOR panel, alleging that they lost income or asset value as a result of the LIBOR manipulation. But not Oregon.

Leaders of Service Employees International Union (SEIU) Local 503, the Oregon AFL-CIO, Oregon AF-SCME, American Federation of Teachers, Oregon School Employees Union, Oregon Education Association, and the Oregon Working Families Party met outside the downtown Portland Bank of America tower May 3 to call on Oregon's governor, attorney general, and state treasurer — all Democrats — to sue the banks involved in the scandal.

According to estimates produced by researchers at SEIU, funds overseen by the State of Oregon lost \$110 million from September 2007 to March 2010 because of the LIBOR interest rate manipulation. The biggest losses would have been to the Public Employment Retirement Fund (PERS).

Asked by the Labor Press for a response, Gov. Kitzhaber's office and Treasurer Ted Wheeler's office referred questions to Oregon Attorney General Ellen Rosenblum. A spokesperson for

Rosenblum said Oregon is taking part in a "multi-state investigation" into LIBOR manipulation, but he offered no details as to who is conducting the investigation or what it entails.

The New York Times reported last year that North Carolina, Connecticut, Maryland, Massachusetts, and New York were investigating grounds for a suit, though none have yet been filed.

"We are continuing to encourage the attorney general and the treasurer to litigate on this," said SEIU Local 503 President Heather Conroy. "They have said they are continuing to look for a viable path."

Conroy says SEIU won't relent. Her union, which represents 50,000 state employees, has continued to collect endorsements from other organizations for the campaign to get Oregon to target LIBOR banks. It's also collecting signatures in an online petition at <http://bit.ly/198Wyqq>. And in several sets of union contract talks with the state, Local 503 has formally proposed that the state investigate and file suit against the banks for its LIBOR losses.

"We hear back from state negotiators that they're struggling to understand how this is appropriately a topic for bargaining," Conroy said, "to which we say, 'these are serious financial impacts, and we're talking [in bargaining] about finances.'"

SEIU's estimate of \$110 million in losses is based on a report by State Street Bank at the request of the Oregon treasurer's office. It relies on a hypothetical model to determine losses based on the amount and kind of assets held by the state and the alleged degree to which the LIBOR rate was manipulated.

## UNION YES —

The latest report from the federal Bureau of Labor Statistics shows growth in union workers' average hourly pay and total benefits far outpaced that of nonunion workers in the 12 months that ended in March.

The analysis, released June 12, says wages and salaries of union-represented workers grew 4.3 percent in the first quarter of 2013 to \$24.17 per hour from \$23.17 in the same three-month span the prior year, while those of non-union employees rose 0.8 percent to \$20.11 from \$19.96.

Total compensation increased 5.3 percent among union workers over the 12 months that ended in March, while growing only 0.8 percent for nonunion workers.



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