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To remain solvent

Congress weighs letting union pension plans cut benefits

Wall Street losses and government pension rules are putting pension plans — and union construction firms — at risk

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More than 10 million American union members are banking on union-sponsored multiemployer pension plans to provide a secure retirement after a lifetime of work. But a fraction of those pension plans are at risk of insolvency thanks to massive financial market losses.

When pension plans run out of money, the government insurance agency known as the Pension Benefit Guaranty Corporation (PBGC) takes them over and pays out benefits. But PBGC doesn't guarantee the full pension benefit: Its current maximum benefit for

multiemployer pension plans is \$12,870 a year for a worker retiring at age 65 with 30 years of service. In some cases that's only a fraction of the benefits the workers were promised. And the agency itself is at risk of insolvency; one or two big multiemployer pension plan failures would burn through PBGC's reserves, leaving only current premiums to pay pension benefits. In that scenario, retirees who now get \$1,000 a month would get \$125.

Making matters worse, under the law, participating employers have to make up for pension plan financial losses. And if they want to leave the plan while it's underfunded, they must pay an exit fee, known as "withdrawal liability," equal to the total amount needed to pay current and future benefits for their employees. Those requirements are putting stress on many small unionized employers, making it harder for them to compete on price, and causing some to go out of business. And when participating employers fail, responsibility for rescuing the pension plan falls to the remaining employers, which makes it more likely that they too will fail.

All that has led a trade group representing union benefit plans to propose the formerly unthinkable: a bill in Congress to let dis-

tressed pension plans reduce benefits for all participants — even current retirees — in order to prevent the plans from going under.

"This is a crisis that's going to affect people," said Randy DeFrehn, executive director of the National Coordinating Committee for Multiemployer Plans (NCCMP). "And it can't go on the way it is."

In 2011, staff members from the relevant committees of the U.S. House and Senate approached DeFrehn's group to come up with legislative recommendations. NCCMP formed a Retirement Security Review Commission, composed of dozens of representatives from more than 40 unions, union employer groups, and pension plans. After more than a year of study and debate, the Commission published a report: "Solutions not Bailouts: A Comprehensive Plan from Business and Labor to Safeguard Multiemployer Retirement Security, Protect Taxpayers and Spur Economic Growth."

The Commission and its report start from the assumption that union pensions will have to rescue themselves. Congress bailed out the banks. It bailed out General Motors. But when it comes to union retirees, DeFrehn says Congressional leaders told him not to ex-

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Bricklayers recognized for work on historic Oswego Iron Furnace

Portland-based Bricklayers Local 1 and signatory contractor Pioneer Waterproofing received the 2013 Craft Award for Best Restoration/Rehabilitation/Maintenance Project from the International Union of Bricklayers and Allied Craftworkers (BAC).

The award is for "their exceptional

collaboration on the restoration of the Oswego Iron Furnace." The historic furnace is located at George Rogers Park in Lake Oswego.

Built in 1866 at the confluence of Oswego Creek and the Willamette River, the Oswego Iron Furnace was the first iron furnace on the Pacific Coast. It began op-

erating in August 1867, and closed in 1885. It is the only surviving iron furnace west of the Rocky Mountains.

Over the years the furnace suffered from partial collapse, deterioration of the brick, displacement, and cracks. In 2003, citizens and the Lake Oswego City Council set out to restore the furnace. Work began in July 2009 and was completed in May 2010. The restoration cost \$918,000 and was funded through the City's hotel tax, which was raised in 2008.

In consultation with Miller Consulting Engineers, 18 members of Local 1 employed at Pioneer Waterproofing repaired the damage and restored the 44-foot-tall structure to its original glory. Grout was inserted in the interior cavities and vertical tie rods were installed to hold the rock in place. It is stabilized to the point that it can now withstand an earthquake.

Last year, the National Trust for Historic Preservation named the Oswego Iron Furnace project one of its 22 National Preservation Honor Award winners.

BAC has handed out its Craft Awards since 1986 to recognize exceptional achievement in masonry construction and craftsmanship, and distinguished union and community service by BAC members.

An awards ceremony was held in Philadelphia in September in conjunction with the international union's Executive Council meeting.



The Oswego Iron Furnace was listed on the National Register of Historic Places in 1974.



Local 1 member Cameron Orvin restores brick arches inside the furnace to look identical to their original construction.



Accepting the Craft Award for Best Restoration Project were from left to right: Bricklayers Local 1 member and Project Manager Gary Vonada, Pioneer Waterproofing President Michael Crawford, and Bricklayers Local 1 Business Manager Matt Eleazer.