

...Congress weighs letting union pension plans cut benefits

(From Page 1)

pect any government bailout.

Given that framework, NCCMP's report proposes that pension plans which are projected to become insolvent be given authority to stop the slide by reducing current and future pension benefits. Pension trustees would decide how to do that, but would not be allowed to cut benefits past the amount needed to achieve solvency, and would not be allowed to go below 110 percent of the PBGC's maximum benefit amount.

Under current law, distressed pension plans are obligated to pay current retirees the full dollar value of the promised benefits — until they run out of money. DeFrehn says that's not fair to those retirees who were counting on collecting benefits in the years after the plans are projected to become insolvent.

"You really have to think of it in terms of today's pensioners versus tomorrow's pensioners. and right now, all the burden is falling to tomorrow's pensioners. Their contribution rates have doubled, tripled, quadrupled. Their accrual rates have been slashed in half and then in half again. And that's to support people who benefited from a lot of those ad hoc increases in order to protect the deductibility of the contributions," DeFrehn said.

The NCCMP report also proposes formation of a new kind of pension plan that would still guarantee a certain income in retirement but would take employers off the hook for pension plan financial losses. Similar to a kind of plan that's common in Canada, the proposed "target benefit" plan would guarantee a minimum benefit based on



Carol Duncan, CEO of General Sheet Metal in Clackamas, Oregon, testifies Oct. 29 at a hearing on union pension fund crisis held by the U.S. House Subcommittee on Health, Employment, Labor and Pension. Duncan said small union employers are struggling to compete for work because they're saddled with responsibility of making up for pension fund losses, a responsibility that's also affecting access to credit and bonding.

conservative assumptions about investment return, while aiming for returns sufficient to provide benefits above that amount.

On Oct. 29, the U.S. House Subcommittee on Health, Employment, Labor and Pension held a hearing on NCCMP's proposals. It was the subcommittee's sixth hearing on the multi-employer pension crisis since early 2012. DeFrehn thinks the committee will draft legislation in the coming months along the lines of the NCCMP proposal.

"We need to maintain the delicate balance between the needs and desires of plan participants with the economic

realities of the marketplace so that the contributing employers can remain competitive and profitable," AFL-CIO Building and Construction Trades Department President Sean McGarvey told the Congressional subcommittee.

Carol Duncan, CEO of General Sheet Metal (GSM) in Clackamas, Oregon, also testified at the hearing, and told Congress how her construction business is threatened by the pension funding crisis. GSM employs 60 to 100 members of Portland-based Sheet Metal Workers Local 16 — fabricating and installing sheet metal roofs, siding, duct work, and HVAC systems. Under the union contract,

GSM contributes to a national pension plan and a local pension plan. Both plans lost value in the 2000 and 2008 financial meltdowns. The national plan alone lost 28 percent of its asset value in 2008. To make up the losses, the pension increased employer contributions. GSM contributed \$149,000 to the national plan in the last year, and that's slated to increase 7 percent a year every year until at least 2017.

"It is no longer feasible for employers to be the backup for stock market performance," Duncan told the subcommittee.

In any downturn, construction is one of the first industries to feel the hit, and one of the last to recover. With little work to go around, competition is fierce, Duncan said, and the additional pension contributions are making it harder for her and other union firms to compete. And makeup contributions aren't even the whole story, Duncan said. Construction businesses are very dependent on banks and insurance companies for credit and bonding. A new financial accounting standard requires that company financial statements include detailed information on pension plan contributions, and also note the amount of any potential withdrawal liability. In GSM's case, the withdrawal liability — the exit fee it would have to pay if it left the pension plan — exceeds the value of the company. That makes it harder for GSM to secure bank loans and bonding, Duncan said.

"I feel good about taking care of our employees by paying them a living/saving wage, as well as providing good health care benefits, and I want to continue to be able to do that," Duncan testified. "My hope is that the system can

be reformed so that my business will be viable for the long-term and that pension benefits already earned can be saved without any bailout from the federal government."

NCCMP's pension reform proposal has the backing of the AFL-CIO Building Trades Council as well as Associated General Contractors and numerous union contractor associations such as SMACNA (Sheet Metal and Air Conditioning Contractors' National Association), the group Duncan is active in.

But the proposal also has critics, including the AARP. At the hearing, AARP legislative policy director David Certner objected to cutting current retiree benefits, and said Congress should first explore other alternatives.

"The retirement security offered by defined benefit [pension] plans would become illusory if, after having worked a lifetime and earned that pension — which is, after all, income in the form of deferred compensation — your benefits can be cut after you've already retired," Certner said.

Certner said Congress should consider increasing the insurance premiums paid by pension plans to the PBGC, to shore up PBGC's funding and enable more generous benefits. Currently, PBGC premiums for multi-employer pension plans are just \$12 per year per participant.

DeFrehn agrees that premiums should rise, but says even 10 times that amount would not be enough to rescue the PBGC if one or two of the biggest at-risk pension plans fail, like the Central States Teamsters Pension Fund or the United Mine Workers Pension Fund.

At least two national union leaders have also come out in opposition to parts of the NCCMP proposal — International Association of Machinists President Thomas Buffenbarger and Teamsters General President James Hoffa Jr. Buffenbarger sat through the hearing, and afterward held a press conference to oppose any solution that would cut retiree benefits.

"Raiding pension plans and robbing seniors of retirement benefits is not the way to solve any financial crisis, whether it's in Detroit, state houses or the latest 'solution' to fix a small number of troubled multi-employer plans," Buffenbarger said. "The proposals being considered by Congress ask our nation's most vulnerable citizens to pay for a problem created by Wall Street, the very ones who have taken billions in taxpayer bailouts."

"The last thing anybody wants is for people to have benefits cut," DeFrehn told the Labor Press. "But ours is a solution that says, 'if they're going to be cut, is there a way for us to salvage them at a higher level and not have plans fail if they don't have to.'"

For his part, Hoffa wrote a letter to House Education and Workforce Committee Chair John Kline (R-Minnesota), saying the Teamsters can't support any proposal that would cut accrued benefits of participants and current retirees.

City of Portland to union rep: Get off the property

On Sept. 30, Laborers Local 483 Business Manager Richard Beetle received a threatening letter from City of Portland Human Resources director Anna Kanwit.

It had come to Kanwit's attention that on two separate occasions, Local 483 Union Representative Erica Askin came onto City property where Local 483 members (City maintenance workers) work — without prior permission from managers.

"On August 29, 2013 at approximately 2:40 p.m., Ms. Askin came into the assembly room," Kanwit wrote. "She was distributing buttons and flyers and yelling to the employees."

And that's not all.

"On or about August 20, 2013 at approximately 2:15 p.m." Kanwit wrote, "Maintenance managers observed Ms. Askin meeting with at least one employee in the north conference room."

"Richard, I would appreciate it if you helped to control Ms. Askin," Kanwit continued. "Her behavior is interfering with employees' work, disruptive to the work environment, and damaging our relationship with your Local."

A union rep distributing buttons ...

talking to a member without management's permission ... such conduct has got to stop, and if it doesn't, Kanwit informed Beetle, she would "seriously consider" filing a legal charge against the union.

Beetle wasn't sure what to make of the letter, but he knew the idea that Askin had interfered with members' work in the assembly room was complete and utter garbage. By and large, the members' work isn't done in the assembly room, or even in the maintenance building; it's done in the field. Local 483 members repave City streets, clean and repair sewers, and install or repair sidewalks. Every workday morning they gather in the assembly room before their shift begins, and at the end of the day, they return to the room, known as the "bullpen," to await the end of the shift.

Askin had come into the bullpen at shift end — and told members that City leaders want to gut their job security. She had to yell to be heard in the large room.

Local 483 is part of the seven-union coalition known as the District Council of Trade Unions (DCTU), and a clause



LABORERS LOCAL 483 UNION REP ERICA ASKIN

in the DCTU contract says that the City can't contract out members' jobs unless managers first show that doing so saves taxpayers money, and the savings can't come from slashing worker pay and benefits. The City is proposing to eliminate that requirement, thereby removing the only legal obstacle to wholesale privatization.

Beetle considered what to do about Kanwit's letter. Must union reps go on bended knee to managers, saying,

"pretty please, may I talk to my members?" Beetle didn't think so.

Local 483 leaders photocopied Kanwit's letter and distributed it to members. When Askin returned to the bullpen to give the next contract bargaining update, they welcomed her back with cheers.

"No way in hell are we going to let the HR people tell us our union rep can't visit," said street maintenance crew leader Bruce Easley.