Distressed pension plans can start cutting benefits

By Don McIntosh
Associate Editor

The Pension Benefit Guarantee Corporation (PBGC) is getting ready to implement a new law that allows distressed union multi-employer pension plans to reduce retiree benefits—if that can halt them from sliding into insolvency. On June 17, PBGC announced "interim final" regulations telling pension plans how to apply for permission to cut retiree benefits. And the same day, the U.S. Treasury Department appointed a "special master" to be in charge of reviewing those applications.

Meanwhile, U.S. Sen. Bernie Sanders (I-Vt.) and U.S. Rep. Marcy Kaptur (D-Ohio) have introduced a bill in Congress to repeal the new law.

The new law, known as Kline-Miller Multiemployer Pension Reform Act of 2014, was tucked into a much larger bill to continue funding of the federal government, which passed in December. Kline-Miller allows a multi-employer pension plan to reduce pension benefits for current retirees if the pension plan is projected to run out of money over the next 15 years (or over the next 19 years if the plan is less than 80 percent funded or has a greater than 2-to-1 ratio of inactive to active members). The pension plans can't cut benefits for retirees aged 80 or over, and retirees aged 75 to 79 are subject to smaller cuts than those under 75. Plans also can't cut benefits more than needed to restore solvency, or below 110 percent of the PBGC's own guarantee for retirees of plans that become insolvent.

The proposal at the heart of Kline-Miller was developed by the National Coordinating Committee for Multiemployer Plans (NCCMP), an organization that represents the interests of multiemployer benefit plans. Multiemployer plans, also sometimes called Taft-Hartley plans, are jointly sponsored by unions and groups of employers. There are about 1,500 such plans nationally, with about 10 million participants—active, inactive, and retired. The multi-employer plans are especially common in the construction industry. When they work well, which is most of the time, they provide an affordable benefit at a low administrative cost. But when they get into financial trouble—usually a combination of financial asset losses and large numbers of "orphaned" employees of companies that have gone bankrupt—their distress runs the risk of bankrupting the surviving union employers. PBGC has projected that about 10 percent of multiemployer pension plans are heading toward insolvency.

In February, the Center for Retirement Research at Boston College put together a list of 100 plans that might seek permission to cut benefits. [See the list online at bit.ly/1FKMUrF] The list uses data from financial reports that pension plans are required to file each year with the Department of Labor. But the list is speculative, because the reports, known as 5500s, show what shape a plan is currently in, not whether it's headed for insolvency. Also, even plans that are headed for insolvency might not seek to cut benefits; that would be up to trustees, and pension plan participants would get a chance to vote down the cuts.

No plans based in Oregon or Washington were on the list, but at least one national plan on the list has participants who live and work in the Northwest—the Bakery & Confectionery Union & Industry International Pension. That plan, which has 114,000 participants, is typical of the failing plans, in that it has

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Building Trades leader Willy Myers tapped for Portland Development Commission

Mayor Charlie Hales appoints Myers to succeed John Mohlis of the Oregon State Building Trades Council

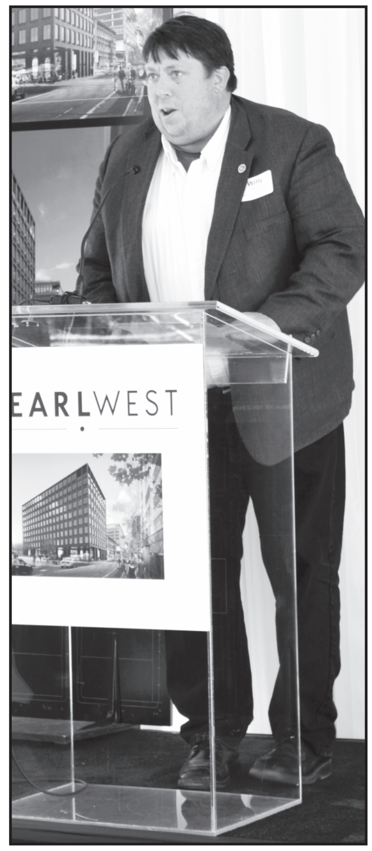
Willy Myers, executive secretary-treasurer of the Columbia Pacific Building Trades Council, has been appointed to the Portland Development Commission (PDC) by Mayor Charlie Hales. He will succeed John Mohlis, head of the Oregon State BCTC, whose PDC term expired June 30.

The PDC is Portland's economic development and urban renewal agency. About 70 employees there are members of AFSCME Local 3769.

Hales nominated both Myers and Gustavo J. Cruz Jr. to the five-member board. Cruz, a senior counsel at the law firm Ater Wynne, will succeed Charles A. Wilhoite, whose term also expired at the end of June.

Both nominees still must be approved by the City Council. A vote is expected later this month.

Other members of the PDC are Chair Tom Kelly, president of Neil Kelly Company; Vice Chair Aneshka Dickson, chief financial officer of Colas Construction, Inc.; and Commissioner Mark Edlen, CEO of Gerding Edlen Development.



Willy Myers

Myers, 47, is in his second term heading the Columbia Pacific Building and Construction Trades Council. The Council is an umbrella organization of 25 unions that represent some 20,000 construction workers employed by more than 2,000 signatory contractors in Multnomah, Clackamas, Washington, and Columbia counties. Prior to that, Myers was an organizer and later an elected business agent for Sheet Metal Workers Local 16.

Among his community activities, Myers sits on the state's Prevailing Wage Advisory Committee and the Metropolitan Alliance for Workforce Equity.

"Portland is a model for urban growth and development," Myers said. "The opportunity to bring a different perspective to the table is what drove my interest in serving. As a union leader, equitable job creation is of great interest to me and I am looking forward to working with others on the board to serve our city in this endeavor."

Mohlis, 58, was first appointed to the PDC in January 2007 by former mayor Tom Potter. Prior to that, PDC had not had a representative from labor on the Commission for decades. Mohlis has served three terms, and has played a key role in PDC's utilization of minority contracting and apprenticeship training programs.

Mayor Hales, in a press release, said the leadership that Myers and Cruz will bring to the PDC is much needed right now. "Portland is growing and that growth won't end any time soon," he said. "We are a richly diverse community with pockets of dire inequity. The PDC is tasked with developing our economy so that everything we love about Portland is shared by everyone in Portland."