

...OPEIU pension proposes cuts in retirees' benefits

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Pension, which today has about 7,600 participants, is a perfect example of what went wrong with some union pension plans. Begun in 1960, the plan centered on clerical support workers at large trucking firms and also at many local union offices. But an aging workforce and declining employment levels made the plan acutely vulnerable to losses. The plan's biggest contributing employer, Consolidated Freightways, liquidated in a 2002 bankruptcy, and workers at another big employer, CNF Services, voted out the union in 2003.

Union-sponsored multiemployer pension plans are normally very stable. They work by pooling and investing the hourly contributions that unionized employers make on behalf of employees. The combination of employer contributions and investment returns makes it possible to provide retirees a guaranteed monthly income for life.

Even though the Western States OPEIU Pension had lost

some large employers, it was healthy until 2008. But in the 2008 financial crash, its investments lost 32 percent of their value. And in the recession that followed, some participating union employers went out of business, and others withdrew because the pension plan had to greatly increase required contributions to make up for investment losses. Since 2008, as many as 100 employers have either withdrawn from the Western State OPEIU Pension Fund or ceased to exist. That's more than a third of the total. During the same period, the number of active participants (current workers whose employers are contributing) fell by 62 percent.

By the end of 2015, the Western States OPEIU Pension had 914 active participants, 3,742 retirees, and 2,936 others entitled to future benefits. Basically the plan is "upside down" — there are eight times as many retirees and inactive vested participants as there are current workers whose employers are contributing to the plan.

So even though the plan still

has considerable assets — \$359 million as of the end of 2015 — it's sinking fast. The plan is currently paying out about \$39 million in benefits a year while taking in \$11.8 million in contributions, and it's projected to run out of money in 2035.

If and when the plan becomes insolvent, a government-sponsored pension insurance program known as the Pension Benefit Guaranty Corporation (PBGC) is supposed to step in and pay retiree benefits. But under its formula, benefits would be greatly reduced — by as much as half in the case of a typical Western States OPEIU retiree. And it's possible the PBGC itself could run out of money and be unable to pay.

To prevent that future insolvency, Western States pension trustees are proposing that benefit cuts of up to 29 percent take place now.

Before the cuts can take effect, they must first be approved by the U.S. Treasury Department. The department has until Sept. 28, 2017, to decide if the proposed cuts are appropriate.

If the Treasury Department approves the application, plan participants and beneficiaries will get a chance to vote on the proposal to cut benefits. But under the Miller-Kline law, in order to reject the proposed cuts, a majority of all 7,592 plan participants must vote "no," not just a majority of those who vote.

So far, 11 other multiemployer pension plans have applied for permission to cut benefits since the passage of the Miller-Kline law. The Treasury Department has denied four applications, and four other pensions withdrew their applications. Two others are pending a decision. Just one has been approved so far — Ohio-based Iron Workers Local 17 Pension Fund. The Western States OPEIU pension is the only pension based in Oregon and Washington to apply for cuts so far.

MORE INFORMATION

For more information about the proposed benefit cuts to the Western States OPEIU Pension Fund, visit <http://www.wspensionrecovery.com>

UNION PENSION FUNDS THAT HAVE APPLIED TO CUT BENEFITS UNDER THE KLINE-MILLER ACT

APPROVED

- Iron Workers Local 17 Pension Fund

PENDING

- Automotive Industries Pension Fund
- New York State Teamsters Conference Pension & Retirement Fund

DENIED

- Teamsters Central States, Southeast And Southwest Areas Pension Plan
- Ironworkers Local 16 Pension
- FundRoad Carriers Local 707 Pension Fund
- Teamsters Local 469 Pension Plan

WITHDRAWN

- Bricklayers & Allied Craftsmen Local No 7 Pension Plan
- Bricklayers And Allied Craftworkers Local 5 Pension Plan
- United Furniture Workers Pension Fund A

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