SAVE JOBS PROTECT PENSIONS

SUPPORT PENSION REFORM:
SAVE JOBS AND ENSURE RETIREMENT SECURITY

Teamster Jobs and Pension Security

- Relief for the nation's multi-employer pension plans is needed immediately to retain hundreds of thousands of jobs. In this current economic climate, job preservation is paramount, and Congress and the Administration play an important role in ensuring the solvency of these pension plans, while keeping good jobs in communities across the country.
- Teamster members participate in nearly 150 multi-employer funds, which represents 1.6 million participants either currently drawing a pension or eligible for one. Two of the largest Teamster funds – Western Conference of Teamsters Pension Trust and the Central States Fund -- provide retirement security for nearly one million workers and retirees combined. Together, Teamster members and employers have sacrificed to maintain the solvency of multi-employer pension funds, but it is clear that even extraordinary self-help measures will not be enough and that legislative relief is needed now.
- In 1980, Congress enacted two laws that unintentionally created now-unsustainable pension plan obligations in Teamster core industries: The Motor Carrier Act, which deregulated the trucking industry, and the Multi-Employer Pension Plan Amendments Act (MEPPA), which required surviving companies to cover the pension benefits of retirees whose sponsoring companies go out of business. The deregulation of the trucking industry led to more than 700 bankruptcies in just one Teamster Union fund. Today, only a few trucking companies remain to cover the pension benefits of retirees whose sponsoring companies have gone out of business.
- There were approximately four active employees for every retiree/ inactive participant in one of the Teamster Union's largest funds in 1980. Nearly, the reverse is true today -- in 2007 there were 3.5 retirees for every active employee. The fund experienced a loss of nearly 8,000 contributing employers since 1980. This experience is replicated in dozens of Teamster funds.

Multi-Employer Plans Face Unsustainable Pension Plan Obligations

- Multi-employer pension plans are essential for the retirement security of millions of union members throughout the United States. There are currently about 1,500 multi-employer pension plans in the United States, which cover about 10 million participants. Many of these plans, which are collectively bargained pension arrangements, are in peril. Due to the collapse of the stock market in 2008 and stringent funding requirements in the law, many companies face difficulty in meeting funding targets. Moody's Investors Service estimates that U.S. multi-employer plans were collectively funded at around 56 percent at the end of 2008 – down from 77 percent in 2007. These liabilities have pushed many employers to the financial brink, threatening the jobs of thousands.
- Even with the relief provided by the Worker, Retiree, and Employer Recovery Act of 2008, minimum contribution requirements for 2010 and 2011 will still far exceed the minimum contribution requirements for 2008. To meet these short-term obligations, many employers will be forced to divert cash for current job retention and creation to their pension plans to fund long-term obligations. At the start of the credit crisis, 73 percent of employers reported freezing or reducing hiring, 65 percent reduced capital spending, and 61 percent considered staff reductions and/or layoffs, in order to meet these obligations. Such actions will accelerate and threaten tens of thousands of jobs if Congress does not act to provide significant relief.

Legislative Solutions

The enactment of the "Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010" on June 25 gives multiemployer plans a substantial measure of funding relief. The Act will provide meaningful funding relief to the vast majority of plans and to the thousands of companies that sponsor multiemployer pension plans.

The changes include extended amortization for funds so employers won't have to divert cash to their pension plans to make up for losses. The Act allows for 30-year amortization for 2008 losses, 10-year smoothing of 2008 losses and an expanded asset smoothing corridor.

We will continue to push for enactment of targeted relief that will help qualifying plans. These provisions are included in the Preserve Benefits and Jobs Act of 2009, H.R. 3936, which was introduced on October 27 by Representatives Earl Pomeroy (D-N.D.) and Pat Tiberi (R-Ohio). Sen. Bob Casey (D-Pa.) introduced similar legislation, the Create Jobs & Save Benefits Act of 2010, S. 3157, on March 23.

- ***Mergers and Alliances:*** Facilitates the merger of multi-employer pension funds through the creation of multi-employer pension "alliances." Authorize the Pension Benefit Guaranty Corporation (PBGC) to facilitate alliances and other mergers by providing direct or indirect financial and technical assistance.
- ***Strengthening Benefit Protections:*** Update the level of PBGC guarantees for multi-employer plans that become insolvent, so that someone who had 30 years of service could be assured of receiving a maximum of roughly $20,000/ year, up from $12,870/ year.
- ***Partitioning of Non-Sponsored Retirees:*** Modify existing provisions for multi-employer plan partitions so that eligible plans that have suffered substantial reductions in contributions due to employer bankruptcies and terminations may transfer to the PBGC responsibility for the vested benefits attributable to service of participants with non-contributing employers.

For more information, go to www.Teamster.org. To get text updates, text PENSION to 86466.