

## Not Dead Yet

Central States Pension Plan shows significant increase in assets despite reports of underfunding

**T**he Central States Pension Plan may be down — but it's far from being out. The question now is whether the old retirement dynamo still has enough power in its punch to go the distance in the contract battle between the Teamsters and UPS.

The plan reported an estimated \$700 million increase in assets through the first six months of the year, according to the June Central States Funds Financial and Analytical Information report presented to the fund's trustees on July 17 and released shortly after to the Teamsters for a Democratic Union, a dissident group within the Teamsters.

Central States' total assets — about \$21.4 billion — would represent a significant increase over the \$18.7 billion reported by the fund in 2005, the latest year for which public information is available.

The TDU says the total could tally \$22 billion by year's end.

The report also reveals that the ratio of active Teamsters to retirees has almost stabilized. There are 212,000 retirees and 146,000 active (full-time) Teamsters, numbers very similar to last year.

Detractors of the fund pointed out that, with a reported 2005 liability of \$39 billion, the fund was woefully underfunded and the right move for both UPS and the Teamsters would be to pull out of the multiemployer pension. Total liabilities for the first half of this year are not publicly available.

But pension experts say such multiemployer funds usually run in cycles between being underfunded and sometimes even overfunded. Stock market busts and other financial hiccups cause a disparate underfunding ratio for pension funds such as Central States, they said.

"Ten years ago, the funds were in much better shape," said Michael Cagnina, managing director of the Global Institution-

al Group for SEI, which manages \$199 billion in assets for 490 clients, including multiemployer plans. "They're working their way back."

Central States is a case in point. About seven years ago, the plan had a much stronger funding ratio of assets to liabilities — about \$20 billion in assets to about \$28 billion in liabilities, for example. The mid part of the decade proved to be a financially rough road for the plan.

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Central States financial cures have come at a cost, said Paff. Some funds have been diverted from health care to pension benefits, which means some Teamsters are working longer, cutting down on the number of retirees drawing a pension.

"In one year the ratio of benefits paid to employer contributions fell from 197 percent to 177 percent," Paff said. "This is falling fast. It will fall again next year, etc. This isn't cyclical. That is a key figure, as that comes down, they will be applying more and more of the return on assets to lower the underfunding figure."

As of Aug. 1, the fund is now taking in even more money, because a 70 cents-per-hour benefit increase at many Teamster companies was split 40 cents to pension and 30 cents to health and welfare.

**A**s UPS and the Teamsters started national contract renegotiations, the fund became a major talking point. The two sides took a break to get more information about the pension. The Teamsters said UPS had agreed in principle to pull out of the plan, but the company called the assertion untrue.



If UPS withdraws from the fund, some Teamsters worry they will lose long-term power in dealing with the company.

"At the very least," says Ken Paff of the TDU, "it will weaken the union."

Cagnina agrees that a withdrawal of the major company from a multiemployer plan will do just that. "It would take away from the union's voice — the workers' voice," he said.

Paff argues the pension plan is worth saving. He's afraid, though, that the Teamsters may be willing to give it up to get UPS Freight employees, who are not unionized, into the Teamsters fold.

However, the Teamsters say they have no intention of pursuing that strategy.

"It would be ludicrous for us to even consider trading away something in a 240,000-member contract in exchange for us getting 15,000 new members," said Ken Hall, co-chairman of the Teamsters UPS National Negotiating Committee and director of the Teamsters Parcel and Small Package Division.

"While we are certainly interested in organizing UPS Freight, our objective is to negotiate two separate agreements that provide strong wages and benefits," Hall said. "We continue to evaluate UPS's proposal, but the Negotiating Committee will not accept a new contract that does not protect the retirement and health benefits of our members, whether they are employed by UPS or by the many other companies that participate in the Central States Fund."

It is the Teamsters' pension — and particularly the multiemployer plan — that gives the union much of its draw and power, industry observers say.

Wages at nonunion competitors are comparable. It's the promise of long-term security, they say, that will get and keep union members.

BY MICHAEL FABEY