THE WALL STREET JOURNAL.

Thursday, September 25, 2008

Unions Seek Pension Protections in Bailout

By Kris Maher

Organized labor wants Congress to add to any bailout plan more protections for workers' pensions battered by the market meltdown.

James Hoffa, president of the International Brotherhood of Teamsters, whose second-biggest pension plan covers more than 200,000 retirees and has racked up billions of dollars in losses this year, sent a letter to Congress on Tuesday. He asked that pension plans be allotted more time to make up funding shortfalls caused by huge investment losses and the recent market turmoil.

The financial crisis has left many pension plans for unionized workers in a precarious position. Such plans, which are negotiated by employers and union officials, are typically defined-benefit plans paying workers a fixed monthly amount upon retirement. By law, companies must fund their pension plans to meet future pension liabilities, or risk monetary penalties. Many of those pension funds assumed a 7% annual return on their investments, but have lost money instead. Union pension plans held more than $800 billion in assets in 2005, the latest figures available, according to a July report by the Hudson Institute.

"The failure and weakening of major financial institutions in the last weeks and months has the potential to destroy the foundation of many pension funds," Mr. Hoffa's letter said. The Teamsters and other unions want the government to forgo penalties and give companies an extension to meet pension funding requirements. Without the change, unions say companies could be forced to cut pension benefits or negotiate concessions on wages or other benefits to make up for increased funding for pensions.

Market losses by big plans this year could force companies to cut retirement benefits or negotiate concessions on wages to make up for increased funding for pensions.

Business groups want to keep the pension-funding issue out of the debate over the bailout plan. "We wouldn't support revisiting the funding rules in this rush to address the broader economic problems," said Randy Johnson, vice president of labor policy at the U.S. Chamber of Commerce.

In recent years, many unions have agreed to concessions in wages and health-care benefits in order to protect pensions, and don't want to see those pension gains wiped out by the credit crisis. "It would be like taking a second hit," said Chris Chafe, executive director of Change to Win, an umbrella federation, which represents about six million workers, including the Teamsters, the Service Employees International Union and the Laborers' International Union. The federation, too, is lobbying Congress for more time to make up for pension-funding shortfalls.

The extent of current investment losses in union pensions is unknown. The Teamster's $24 billion Central States Fund, which covers workers in 25 states, lost $3 billion in assets in the first six months of this year, according to Ken Paff, national organizer for Teamsters for a Democratic Union, an activist group that closely tracks the union's pension funds. "They've clearly lost more since," says Mr. Paff, who doesn't have figures for the past two weeks.

A spokesman for the fund, which is jointly administered by union and employer representatives, couldn't be reached to comment. Leigh Strope, a Teamster spokeswoman, said 1.5 million active and retired union members are covered by 200 multi-employer pension plans with $75 billion in assets. "The funds are down just like all portfolios across the board," she said. "That's why we're asking for relief from Congress."

Unions generally oppose the financial-recovery plan proposed by the administration, and support changes proposed by Democrats, including limiting the pay of chief executives involved in the plan and aiding homeowners with a freeze on foreclosures.