

**Statement for the Record by  
Teamsters for a Democratic Union**

**Submitted to the**

**Education and Workforce Committee  
Of the U.S. House of Representatives**

**On**

**Strengthening the Multiemployer Pension System:  
What Reforms Should Policymakers Consider?**

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## **Introduction**

On behalf of Teamsters for a Democratic Union, we respectfully submit this statement for consideration by the members of the Committee.

Teamsters for a Democratic Union (TDU), along with our sister organization, the Teamster Rank and File Education and Legal Defense Foundation (TRF), is the reform movement within the Teamsters Union, and has been for the past 37 years. Our organization includes active Teamsters as well as retired Teamsters, each with a voice and vote within our organization.

TDU has many members who are active participants or retirees in Teamster-affiliated multi-employer pension plans, including the Central States, Southeast and Southwest Areas Pension Fund.

For many years, TDU has taken an active interest in protecting and defending the rights of Teamster retirees and plan participants. We have testified before Congressional Committees on pension issues, and have sponsored litigation to protect the rights of Teamster members and retirees in pension plans.

With respect to the Central States Fund, as far back as 1978 we sponsored litigation to change how the fund was operated. We have also sponsored litigation regarding overly restrictive “reemployment” rules of Central States, which have prevented retirees from doing many types of work while collecting pension benefits they have earned. We have sponsored litigation to gain public – and retiree – access to reports filed by the Independent Special Counsel to the Central States Fund with the federal district court.

We approach the issues raised by the Solutions Not Bailouts document with a hopeful but critical perspective.

As others have noted, many of the proposals, in particular those summarized as “Technical Corrections and Enhancements to PPA and Prior Laws” are for the most part helpful proposals.

But the centerpiece proposal of the document, the proposal to alter the anti-cutback provisions of ERISA to allow multi-employer plans to cut pension and already-accrued benefits, is dangerous to retirees, to the principles of ERISA, and should be rejected or at the very least delayed until positive alternatives can be explored.

## **Protection of the Most Vulnerable**

It should be noted that the anti-cutback rule protects those most vulnerable: retirees.

In the Teamsters Union, and in many other unions, retirees have no right to vote. Thus the officers of the union are accountable only to the active members still working, not the

retirees, who have no voice in the union or in selection of the union trustees to pension funds.

The retirees in the Central States Pension Fund (which is a central subject of the proposal to amend the anti-cutback rule for “deeply troubled” plans) have not been consulted or even informed that the fund is backing a proposal to change the anti-cutback rule. Indeed, spokespersons for the fund have flatly denied their support for the NCCMP proposal. At a meeting in Kansas City, with some 3000 retirees in attendance, an executive of the fund stated that the Solutions not Bailouts document is “just an idea” and that the fund would not support amending the anti-cutback rule.

Teamster retirees deserve a voice in this process, which they have not had.

It is worth noting that in the Teamsters Union, the pensions of retirees never increase. The Central States Fund, as well as other major Teamster-affiliated pension trusts, provides a flat-rate pension for life. Thus a truck driver who is forced into retirement at say, 63, years old, will be receiving the same dollar amount, without any adjustment for inflation, some 25 years later.

This makes any threatened cuts to older retirees even more offensive.

Furthermore, the Central States Fund, along with many other Teamster-affiliated plans, imposes a restrictive “reemployment” rule, which prohibits many retirees from supplementing their pension benefit with work in a “Teamster core industry,” such as trucking, warehousing, delivery, construction or food distribution and processing.

It is also worth noting that in the Teamsters Union, and in many other union settings, the retirees themselves in effect paid for their own pensions. Each time the Teamsters Union agrees to a contract with employers in national or local bargaining, they divide up the economic pie between wages and pension contributions to the pension fund. Thus Teamster retirees have deferred their own wage increases, over a lifetime of work, to provide the pension contributions to the fund.

These pensions were paid by moneys to the fund in lieu of wages, which could have provided substantial money to a retirement account, but instead went into the pension fund.

### **We Oppose Changing the Anti-Cutback Rule**

Thus we oppose the proposal to change the anti-cutback provisions of ERISA to allow “deeply troubled” plans to make drastic cuts the pensions of retirees who are already in pay status.

ERISA most fundamentally stands for the principle that accrued pensions cannot be cut. This is the centerpiece protection for members of a pension fund. Future accruals can be

cut, and the Teamster Central States Fund has done that, though not to the full extent the law would allow. But benefits already being paid, or earned and vested, cannot be cut.

This bedrock principle should be preserved.

### **Alternatives to Cutting Accrued Pensions**

We submit that alternatives to altering one of ERISA's most fundamental safeguards have not been explored sufficiently to warrant consideration of destroying or weakening the anti-cutback rule.

A number of alternatives to be explored have been described in the AARP's Statement for the Record, submitted to the Committee on June 7, 2013. These include

- **Partition**, to segregate and cover separately so-called "orphan" participants. Many Teamsters, including in the Central States Fund, have been forced into retirement due to trucking deregulation and trade policies which have led to the bankruptcy of many companies.
- **Increased Funding for the PBGC**, including 1) consideration of low-interest loans by large banks and investment funds, especially those which received TARP funds; and 2) Public guarantee of private loans.
- **Increased PBGC premiums**. The present low-level of \$12 per year per participant could be greatly increased, perhaps to ten times this level. The PBGC has projected that an increase to this still-modest level would reduce the likelihood of PBGC insolvency by 2022 to zero. We further suggest that the integrity of the PBGC be given the status of the FDIC, by backing it by the full faith and credit of the United States.

No doubt there are other alternatives as well, but these indicate positive solutions to the problems of the Central States Fund and other troubled pension funds, without resorting to taking a hatchet to ERISA's baseline protection in the anti-cutback provisions.

### **The Solution Must Not be a Hatchet**

The Solutions Not Bailouts document requests that the Central States Fund be permitted to cut retirees in pay status drastically, down to 110 percent of the PBGC limit.

The PBGC maximum for a 30-year Teamster at full retirement age is \$12,870. As the attached testimonials illustrate, a cut to 110% of this level would slash the pensions of some Teamsters who spent a lifetime earning and contributing to their pension by some 66%.

And Central States' own reemployment rules would prevent that retiree from returning to similar work, even if they are still capable of performing difficult blue-collar work.

It should be noted that the average pension payment of the Central States Fund is \$1,109 per month (as of the year-end 2012 Financial and Analytical Report on the fund), hardly a luxury pension by any means.

The NCCMP Executive Director Randy DeFrehn was quoted in the media two weeks ago citing a hypothetical example of a “5 percent haircut” given to these retirees to shore up a pension fund. But the proposal does not request the ability to cut by 5 percent. It asks for the ability to make unlimited cuts to pensions for retirees and their surviving spouses as long as the benefits are not reduced below 110% of the PBGC maximum. This is not a haircut but rather a decapitation of Americans who spent a lifetime of hard work moving, sorting, and delivering our freight to keep our economy humming.

The Central States Fund itself has noted that drastic cuts would harm to the Fund’s ability to sustain its present membership, and could lead to a death spiral of exits, thus worsening its situation.

The Independent Special Counsel report on the Central States Fund of April 29, 2013, noted that, “The Trustees also concluded during the 2012 update process that any further or additional benefit reductions, or the imposition of additional requirements for increased contributions (beyond those already set forth in the Rehabilitation Plan) would entail too great a risk of irreparable harm to a large number of contributing employers, or would otherwise risk prompting an undue and harmful number of withdrawals from the fund.” (Emphasis added)

Indeed, drastically cutting already-earned credits no doubt would cause many Teamsters to urge that employers to withdraw from the fund.

### **Raising the Retirement Age is Inappropriate**

The NCCMP proposal to raise the full retirement age from 65 to “harmonize” with social security is inappropriate for very important reasons.

First, Teamsters in the Central States Fund are primarily engaged in physically demanding jobs, such as over-the-road trucking, warehouse work with strict quotas of tonnage to load per hour, and other work unsuitable for the majority of 67-year old persons. In fact, many if not most Teamster retirees leave employment before the normal retirement age already.

Second, many have been forced to retire due to plant closures and downsizing, and a 65-year truck driver’s employment prospects are slim to none.

Finally, this proposal amounts to a back-door way of gutting the anti-cutback rule, by cutting back the number of years an earned pension is provided.

## **Conclusion**

We support many of the technical proposals advanced by the NCCMP. However, we oppose any change to the anti-cutback rule which would allow pension fund trustees to drastically cut the pensions of retirees in pay status or of already-earned pension credits. We believe the proper course is to explore positive alternatives, long before considering such a drastic change to the established pension law and policy of the United States.

## **Teamster Testimonials**

“Why should we sacrifice our retirement just because we worked under the Central States pension? We need the same Teamster pension that others in freight will get working in the Western Conference or Chicago Locals 705 and 710. I distributed a petition to Holland Teamsters and got 369 signatures from nearly twenty terminals and locals. We need to make a stand to save and secure our pensions.”



**Greg Brown, Holland  
Local 413, Columbus, Ohio**

I've worked in Teamster Freight for nearly thirty five years. I planned on retiring after 30 years of back breaking work but they changed it just before I reached the goal. So I went to 57.



Because of YRC's bad management & financial decisions, we were forced to take concessions on our wages and benefits, and I had to change plans, again. But I'm still counting on getting the FULL pension I earned. I know it's going to take organizing with my Teamster brothers and sisters to ensure we get it.

I had breakfast recently with former co-workers who have retired from Yellow Freight. My goal was to catch them up on what's possibly coming down the pike with our pensions. Not one had heard or knew anything about the lobbying effort by the IBT and Central States, which proposes cutting pension benefits. Even for retirees!

At the breakfast, I passed out the petition to protect our pensions and got names and signatures.

We all need to get the info and the petition out to working and retired Teamsters. The NCCMP proposals should be called “No Solutions, Just a Cop Out.” We need to remind Hoffa that he campaigned in 1996 on a “25-and-Out” and he needs to make sure we get our promised pension, not help to gut it.

**Tim Pagel, YRC  
Local 988, Houston**

I went to work for Murphy Warehouse Company right after Labor Day 1976. I worked locally delivering freight of various kinds to distribution centers, mostly grocery warehouses in the St. Paul/Minneapolis metropolitan area.



After 23 years at Murphy, I worked for a short time for a

regional trucking company and then, for 11 years, a ready mix company. My wages (adjusted for inflation) remained essentially flat throughout my working career. But the health benefits and pension were the saving grace. Through it all, my employers were paying contributions to my pension.

I counted on the pension and social security as a savings plan for my retirement.

Then came the Great Recession of 2008 and construction took a nose dive. My income and work were cut by 80%. We lost our house and incurred additional tax liability because of the refinancing. For lack of work, I quit my union job. I went to work non-union in the oil fields of North Dakota. I worked 80-hour weeks to try to keep our heads above water.

I'm now 75, still working to pay off my debts, and collecting a pension of \$2,300/month.

Now the Central States Pension Fund is part of a big lobbying effort to get Congress to change the law to allow them to cut my pension. Is that just and fair after all the years I sacrificed to earn a decent retirement? Congress needs to stand up for the little guy, those of us on Main Street America, and make sure that we get what we were promised.

**Bob McNattin, Cemstone  
Local 120, St. Paul, Minn.**

To Members of Congress:

I am outraged by the effort to convince Congress to allow reductions in pension benefits. Please try to think of retirees who have planned our lives based on our pensions.

I've been retired for 9 years after working for over 36 years moving freight across the country. In 1980, due to government deregulation, many companies went out of business in the freight industry. I worked for ten companies at one time (on call) to make sure I stayed active to receive monthly or weekly contributions to the pension. I earned my pension the hard way as I have a clear memory of giving up many possible wage increases so that money could go towards benefits.



I am also a past President of Teamsters Local 407 and represented 7,500 members at that time. I fear that that proposed legislation to change pension law will be devastating to these members I served and so many more. I know any cut will harm my household. I am a cancer survivor and my wife has health issues as well. We count on my pension to keep us going.

I am currently a councilman in Maple Heights, Ohio and try to represent my constituents fairly. I expect the same from Congress. You bailed out the banks and their executives didn't lose a dime. Unlike the bankers, we have done no wrong.



Don't be afraid to lend a hand to people who worked hard for their pensions.

Respectfully,

**Alex Adams, Yellow Freight  
Local 407 Retiree  
Councilman, Maple Heights, Ohio**

We have all earned our Pensions....

I worked for 32 years at Roadway Express/YRCW. I am now retired. As a young man when I hired in, I liked the wages, insurance and most of all, the pension. It was hard work, but the benefits made it worthwhile. The pension offered my wife and I security and a way to live comfortably into our old age. In 1980 deregulation of the trucking industry was put into place and the union truck lines began to fall like dominoes. We gave up raises and increased money to the pension fund.



Many of the fellow Teamsters I have talked to are in disbelief that Congress might allow our pensions to be cut. Some were moved to tears, frightened, while others became fighting mad. The NCCMP proposal is a slap in the face to every Teamster. I have read the 3-page report from the Pension Rights Center and the 10-page report from the AARP. The AARP plan outlined many ways our pensions could be saved. I support the AARP approach. The NCCMP proposal only supports cutting our hard earned pensions as a fix.

**Dave Scheidt, Roadway, Retired Teamster  
Local 41, Kansas City**

I initiated into Teamsters Union Local 128 that later merged into Pittsburgh Local 249. I was a Roadway freight driver and moved to Harrisburg Local 776 with a change of operations. Later, another change took me to Youngstown Local 377. That terminal closed and had another change to Miami Local 769. Why all the moves? I needed to remain in a Teamster pension plan. The promise was \$3,000/month after 30 hard years.



I will fight along with my union and TDU to preserve those benefits I earned. Congress better hear us loud and clear. Don't cut our pensions!

Solidarity, brothers and sisters,

**Mike Schaffer, Roadway  
Local 769, Miami**

After working 31 years, I thought I had a secure retirement. I wasn't planning on living it up but felt I could comfortably pay my bills on my monthly pension check.



I earned my pension as a Teamster. For ten years, I worked for a land survey company and was a member of Local 299 in Detroit. The following 21 years I worked as a UPS delivery driver in Teamsters Local 243.

I probably racked up an extra 10 years of overtime hours put in over those years, wearing out toe joints, knees and shoulders. None of those hours counted towards my pension.

Over the years we watched our budget. We kept our cars 10 years or more, went on a few simple vacations now and again, and made our boys pay a good part of their own college expenses.

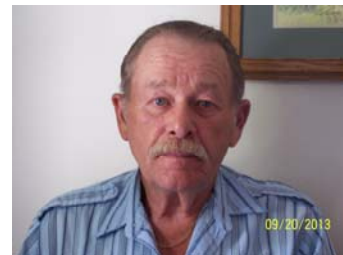
I viewed my pension as a savings plan, tucked away, where I could live off it in my old age. Now I'm hearing this may not be the case.

I'm told that the pension I earned over those long years will likely be cut without any say on my part. I earned my pension under the contract. Each and every time, we accepted a lower pay raise so more money could go to the pension. We were told we could count on that money when we retired. I trusted that the system was secure. I played by the rules and did nothing wrong.

In conclusion, I would hope that Congress would take every measure to protect the pensions of so many retired people like myself that are now left in great jeopardy by threats to our retirement security.

**George W. Balog, UPS Retiree  
Local 243, Auburn Hills, Michigan**

I worked for over thirty years as a union truck driver, with the goal of being able to have a comfortable lifestyle once I retired. Take a look at my work history and you get a pretty good picture that I earned my pension.



1964-70: Air National Guard – Honorable Discharge

1968-69: Roethlisberger Transfer Steel Division – Teamsters Local 40

1972-74: Case Driveway Inc. – Teamsters Local 505

1974-75: Spector Freight System – Teamsters Local 92 and 142

1975-1984: General Highway Express – Teamsters Local 40

1992: ABF – Teamsters Local 40

1992-2009: USF Holland – Teamsters Locals 20, 24, and 40

Government deregulation of the trucking history had a big impact on my career. I followed the work, and had to move my family, to keep earning towards my Teamster pension. Please do not change the law to allow my pension to be cut.

**Larry Kuhn, Holland Retiree  
Local 40, Shelby, Ohio**

I've been a Teamster in the trucking industry for 38 years. I retired with 36 ½ years of pension contributions. I had 30 years of contributions to Central States. In each contract, we gave up wage increases for the money to go to health insurance costs and our promised pension benefit. Now Central States is pushing for changes that would allow them to cut my benefit. That proposed change to pension law will have a terrible impact on me and thousands of other Teamster retirees. That's not what we earned or what we were promised.



**Carl Hansen, ABF Retiree  
Local 200, Waukesha, Wisconsin**

To Members of Congress:

My tax dollars paid for 140 billion in bailout money just for bonuses to bankers who screwed up. Defined benefit plans were ruined by these same people. Our taxes funded bailouts for automakers and tax breaks for companies like Apple and GE.



Let's stop giving tax breaks to "Job Creators" who don't create any jobs. Let's stop breaking promises to the poor and middle class. Please stop this class war.

I can't keep delivering 300 pound treadmills until I'm 80 years old. This seems to be the new American dream. I paid into a pension for 23 years but there's no one to help me. It used to be you were a bum if you didn't work. Now you're a bum if you want to get what you paid into like a pension or social security. The talkers on the radio say that seniors are on the dole and firemen and teachers who want their pensions are greedy.

Even the inventor of the 401k says they were not meant for retirement. They were meant to be a way to delay tax payments for the super wealthy. A secure retirement should not

hinge on timing a stock market bubble in order to work. Forcing us to work longer also shrinks the pool of jobs for younger folks.

The NCCMP seems to be just another group of employers trying to get out of paying what was promised to their employees.

The PBGC should keep a promise and maintain benefit levels and create jobs by allowing us to retire. I'm not sure why destroying the middle class is the goal of today's government. I don't think it's a good idea. We spend the little money we have.

I've been funding tax breaks for the wealthy for decades now. Is it too much to ask for what I gave up in wages toward a truly modest retirement after 40+ years of work?

**Paul Host**  
**Teamsters Local 200 – ABF**  
**Milwaukee, Wisconsin**