Proposed draconian cuts to Teamsters' pensions draws fire from retirees, who vow action

By John D. Schulz, Contributing Editor
October 13, 2015

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"Under Central States' proposed pension rescue plan, effective July 1, 2016, your monthly benefit is proposed to be reduced from $3,120.04 to $1,560.02."
-From Oct. 1, 2015 letter from Central States pension plan to Teamsters retirees.

If you want to meet some of the most ticked-off people on the planet, talk to any trucking industry retiree who received that letter from the Teamsters' Central States pension plan notifying them of their potential financial haircut coming in retirement.

More than 400,000 retired Teamsters who belonged to multiemployer pension plans received such letters. Many had been receiving at least $3,000 monthly pension under the "30-and-out" provision of the Teamsters—work 30 years for any company affiliated with the Central States' plan and you get at least $3,000 monthly pension for life.

Or so they thought. Cutting retirees' pensions had been illegal—until late last year when the Multiemployer Pension Reform Act was passed. That allows trustees of severely underfunded multiemployer plans to cut pensioners' income, ending more than four decades of protection under federal law.

And let's make it clear. These are cuts, not shaves. While Central States claims the average proposed cut is 22 percent, rank-and-file retirees say their actual cuts are actually more than double that—in the 50 to 60 percent range.

"I was in shock as to what percentage they wanted," Mike Walden, 66, chairman of Northeast Ohio Committee to Protect Pensions who worked 31 years for now-defunct Roadway Express and retired 2010, told LM. The Cuyahoga Falls, Ohio, resident says his pension would be cut from around $2,900 a month to around $1,450.

"They (Central States) had said the average reduction was supposed to 22 percent. I have not spoken to anybody whose cut is 22 percent. Most were in the 50 to 60 percent range. To me, their summary is very misleading," Walden said.

So far, Central States is the only plan to apply for cuts. Which is ironic for two reasons. First, Central States once was a powerhouse pension fund back in the 1950s and 60s when it was so flush it basically served as a lending arm to help Mob-affiliated companies build casinos in Las Vegas. And secondly, because it still has over $18.7 billion in assets.

Thomas Nyhan, executive director of the Central States plan, says such cuts are necessary because of fundamental changes in the way the trucking industry operates. Now 95 percent non-union, the industry nonetheless is left with hundreds of thousands of retired Teamsters.

For every 1 active contributing member to the Central States plan, there are four retirees. Nyhan says Central States is paying out $3.46 in pension benefits for every $1 it takes in.

“That math will never work,” Nyhan recently told the New York Times. The Central States fund is expected to be insolvent by 2027, according to his estimate.

Teamsters’ retirees differ with Nyhan’s assessment. “I had read a quote from him in the Chicago Tribune that basically said, ‘We’re holding our own until 2017, and then we’ll have to look into it,’” Walden said.
“Now he’s making it look like we’re going to be broke next year. It’s not very transparent.”

The government’s plan is to make the Central States’ plan last longer by asking retirees to bear the brunt of the change.

“It’s hard for us to do the math without looking at the books,” Walden said. “So far he (Nyhan) has denied access to the books.

Teamsters union President James P. “Jim” Hoffa called on the trustees of the Central States Pension Fund to recall the proposal made to the Treasury Department that calls for deep cuts for thousands of participants.

“You are aware that our union opposed the (multiemployer plan) legislation that led to the formulation of the plan you have put forward,” Hoffa wrote to the trustees.

“Nevertheless, and while I understand your fiduciary responsibility and the fact that I do not have any power over your decision making as a trustee, I am calling on you from a moral standpoint to act in whichever way you deem fit to SLOW this TRAIN down: recall the proposal made to the Department of the Treasury; rethink its implications on the lives of real members; and seek more equitable ways to achieve its objectives,” Hoffa’s letter concluded.

Teamsters International Vice Presidents John Murphy and John Coli also called Nyhan in a separate letter to correct misinformation that has be disseminated to the participants and improve outreach to those impacted by the proposed cuts.

“You represented during your presentation the average pension cuts would be 22.6 percent and that no one would receive a reduction greater than 50 percent," Coli and Murphy wrote. "The reality is much worse for a majority of the Fund's beneficiaries because there is a portion of the participants (48 percent) whose benefits are not slashed under the 'rescue plan.' Those who are being cut will suffer on average a 40 percent reduction. Some will see their retirement checks reduced by a staggering 60 percent."

The affected Teamsters get to vote on such cuts, but the fine print of the law shows it's rather a sham. If the Teamsters (as expected) vote no, the Treasury Department can enact cuts on its own. That's because details of the law allow Treasury to act unilaterally if such a move would affect the Pension Guaranty Benefit Corp., the government entity that nominally protects pensions, by more than $1 billion.

The PBGC barely has that in its coffers. Because of the size of Central States' plan, PBGC would basically go bankrupt if it had to bail out a failed Central States' fund.

Sen. Rob Portman, R-Ohio, wants to change that. He has introduced a bill that would overrule language about Treasury having the final stay.

Sen. Bernie Sanders, I-Vt., also wants to repeal the law. He has proposed a bill that would close tax loopholes to help fund PBGC, and add $10 billion to the agency over 10 years. That money would be added to pay for the pensions.

Both bills are considered longshots in the current do-nothing atmosphere in Congress. But retiree Walden nevertheless says he's optimistic in getting the law changed or repealed.

There are some bright spots. Retirees 80 or older will not have their pensions cut. Those over 75 will have much smaller cuts than other retirees. And some 48,000 retired UPS workers will not have any cuts, thanks to a labor agreement between UPS and the Teamsters. Ironically, one of the reasons Central States is failing is because UPS, once the largest contributor to the plan, paid $6.1 billion in cash in 2007 to leave the Central States' plan because of what it feared was pending liability. Currently YRC Worldwide, which was struggling the past decade, contributes only one-fourth of what it previously did to Central States, further exacerbating the financial stress on the plan.

"To me they (YRC) are just taking money away from us to keep their jobs," Walden said.

The Pension Rights Center is working with allied organizations and thousands of retirees across the country to stop Central States from moving forward with benefit cuts. Karen Friedman, executive vice president and policy director for the Center, issued the following statement:

"Tom Nyhan has sought to justify the unconscionable and unprecedented cuts that he claims must be implemented to prevent his Fund from running out of money in 2026. Nyhan and the

Central States trustees are trying to mask their shameful actions by calling these cuts a 'pension rescue' plan. But these cuts are nothing short of a pension demolition plan that will ruin the lives of more than 200,000 retirees, widows, and widowers."

The Pension Rights Center has said from the beginning that the Fund could have taken other steps to truly rescue the Fund.

"But rather than do the work needed to find better solutions, the Fund took the easy way out: cutting the benefits of the most vulnerable – the very people Congress intended to protect when it passed the federal private pension law known as ERISA in 1974," Friedman said.

Friedman said she is "shocked at how bad these cuts" are. "We are getting calls and letters from desperate retirees, who have been told that their benefits will be cut by between 50 to 70 percent. While many of them knew they would be getting letters about proposed pension cuts, they have been completely blindsided by how deep these cuts are," she said.

"Tom Nyhan and his fellow trustees should be hanging their heads in shame for promoting this plan, instead of finding real solutions and fighting for them," Friedman said.

The Keep Our Pension Promises Act of 2015 (KOPPA), introduced by Sen. Sanders in June would rollback MPRA's pension-cut provisions, while providing funding for troubled multiemployer pension plans and the Pension Benefit Guaranty Corporation.

Nyhan has said that he considers KOPPA to be "praiseworthy legislation" but he does not think that the current Congress will enact what he misleadingly calls "bailout" legislation.