Central States Teamsters pension fund seeks permission to cut benefits

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The Teamsters Central States, Southeast & Southwest Areas Pension Fund, Rosemont, Ill., is seeking permission to cut benefits for participants, including retirees, as part of a proposed rescue plan awaiting approval from the Treasury Department. The pension fund had assets of $17.8 billion as of Dec. 31, and is projected to become insolvent in 2026.

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The plan is painful but "the only realistic way possible to save the fund," which pays out $2 billion more than it takes in each year, Executive Director Thomas Nyhan said in a statement Friday. Despite a recovering economy and investment returns comparable to similar-size pension funds, "there is simply no way to make up for the lost employer contributions" from the hundreds of employers that have closed their doors or gone bankrupt, Mr. Nyhan said.

The Multiemployer Pension Reform Act of 2014 allows trustees of deeply underfunded pension funds that would be insolvent within 15 years to reduce benefits, even for current retirees, after they have tried all other means. Those cuts can be no lower than 110% of the Pension Benefit Guaranty Corp.'s guarantee. Disabled or older retirees have further protections.

Under the proposed Central States rescue plan, terminated participants with less than 20 years of service credit would get the largest benefit cut, compared to retirees, active participants and terminated participants with 20 or more years of service. The MPRA dictated that "orphan" participants whose employers failed to pay withdrawal liability take the first benefit cuts, down to 110% of the PBGC guarantee.

Active participants, whose continued participation in the pension fund is "vital," can continue to earn pension credits of 0.75% of contributions, down from the current 1%, and re-employment restrictions on retirees are lifted, Mr. Nyhan said.

United Parcel Service Inc. participants in Central States are a special "transfer group" category, created when UPS withdrew from the pension fund in 2007 and later promised in a labor agreement that its own pension plan would cover any reductions allowed by law for active or former UPS employees in the plan as of Dec. 29, 2007.

The UPS protections "are a positive thing," said Ken Paff, national organizer for the Teamsters for a Democratic Union, a grass-roots organization of International Brotherhood of Teamsters members, in an interview. "But the unconscionable cut on the orphans is the most disturbing part of this. The plan itself is disturbing because so many people asked to join in (the discussion) and delay the plan to come up with other solutions."

Mr. Nyhan said in his statement that action was needed now. "The longer we wait to act, the larger that benefit reductions will have to be. And if we wait too long, the Central States pension fund will run out of money and won't be able to be saved."

The rescue plan application was submitted Sept. 25 to the Treasury Department, which will post it shortly and allow for public comments. Treasury officials have up to 225 days to review an application, and once approved, 30 days to administer a participant vote on the proposed benefit reductions. The law requires the Treasury Department to approve an application if a plan's potential claims would cost the PBGC $1 billion or more.