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Pittsburgh Post-Gazette®

SUNDAY, JANUARY 20, 2019

As lawmakers fail to reach deal, Pittsburghers' pensions brace for cuts

A $34 billion problem hits home

By Daniel Moore
Pittsburgh Post-Gazette

Bill Lickert had a feeling, when he was asked to represent more than 17,000 retirees around Pittsburgh receiving monthly pension checks from a Teamsters' fund, that his volunteer position would be a difficult one.

They were an eclectic bunch. They had worked union jobs as freight truck drivers and mechanics; toll collectors and parking lot attendants; grocery store cashiers; staff at prisons, law offices and hospitals; garbage handlers; Pepsi bottlers; and food service staff at PNC Park. Mr. Lickert himself had spent many years hauling milk from dairy farmers.

The great unifier was a grim one: Most of the industries that they worked in had experienced irreversible change over the years due to technology, new laws, fewer unionized workplaces - and, for most, that had meant a steep decline in the number of union members paying into the pension funds.

So, in September, when Mr. Lickert shared the bad news that the Western Pennsylvania Teamsters and Employers Pension Fund needed to cut pension benefits by 30 percent, he set about trying to calmly explain the talking points in a mailing, in a frequently-asked-questions post on a brand new website and in email newsletters.

He quickly realized that there was often no way of comforting the people flooding his North Huntingdon office with calls.

"I've had people break down on the phone because they don't know how they're gonna make their expenses," Mr. Lickert said, looking overwhelmed. "And I don't know how to give them an answer."

His unenviable position is a poignant example of how America's pension crisis - a long-looming threat to plans covering millions of retirees across the country - is hitting home.

With Congressional lawmakers failing to reach a deal on pension reform by a self-imposed deadline of Jan. 3 - and the longest-ever federal government shutdown effectively stalling legislation for four weeks and counting - pension fund managers are turning to their only option left: painful cuts to benefits.

The Teamsters' fund is one of hundreds of multiemployer pension plans that cover workers who are employed by several employers in the same industry or who are represented by the same labor union. Those plans, which cover nearly 11 million retired Americans, were established by collective bargaining agreements.

But as the industries connected to the funds decline, many multiemployer pension plans struggle under the weight of obligations.

The United Mine Workers of America's pension fund - which sends checks to more than 87,000 miners nationwide, including 13,000 union miners in Pennsylvania - is also headed for broke. A wave of bankruptcies and widespread layoffs in the coal industry has pushed the fund to the brink. Just 10,000 active workers pay into the UMWA fund from which 120,000 miners draw pension checks.

Coal state Democrats - including Sen. Bob Casey of Pennsylvania, Sen. Joe Manchin of West Virginia and Sen. Sherrod Brown of Ohio - have pushed unsuccessfully for legislation for more than three years to shore up the UMWA fund outside of broader pension reform.

"We are one bankruptcy away from our pension fund collapsing," said Phil Smith, spokesman for the UMWA, in an interview this month. "We're out of time at this point."

If plans fail, they become the responsibility of the Pension Benefit Guaranty Corp., a federal agency created in 1974 to backstop pension benefits for about 37 million retired Americans. (In addition to 11 million Americans covered by multiemployer plans, 26 million Americans are enrolled in single-employer plans.)

So many plans have failed that the pension agency itself is on track to become insolvent by 2025. As of 2017, the pension agency had assumed responsibility for paying $462 million to 79,325 Pennsylvania retirees.

Pension reform has been elusive in Congress. The current focus is on a proposed fix, called the Butch Lewis Act, that would create an agency called the Pension Rehabilitation Administration to provide loans to support troubled pension plans.

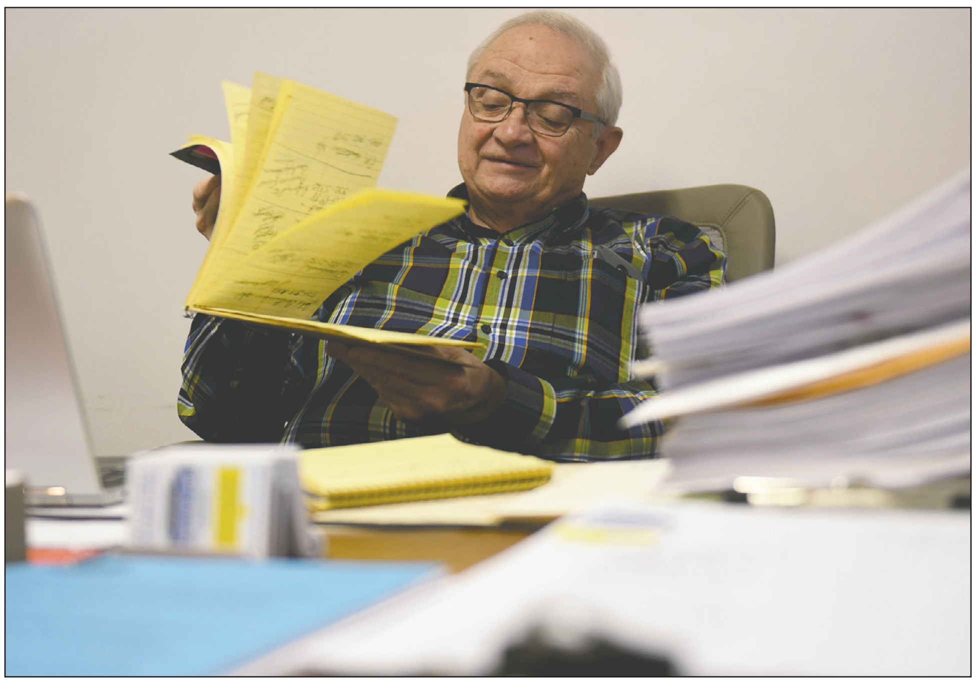
The bill's supporters, led by Sen. Brown, claim it could stave off benefit cuts at a cost at $34 billion over 10 years - while if no bill is passed, taxpayers would pay an estimated $78 billion to prop up the pension agency.

Opponents of the plan, including many Republicans, have called it a bailout for labor unions and are skeptical of rescuing such a large system with subsidized loans.

A study by the Pension Analytics Group, a group of actuaries and economists, found the Butch Lewis Act would reduce pressure on the pension agency but the study recommended benefit cuts as the primary solution. If the bill is passed, pension beneficiaries affected by insolvencies would total 2.3 million, compared with 3.2 million if nothing is done, the researchers found.

"Unless troubled plans implement significant benefit cuts, our analysis indicates that loans would not prevent plan insolvencies but merely delay them," the group found.

That's the backdrop for Mr. Lickert's daily struggle, and the political rhetoric confounds him.



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Bill Lickert, Western Pennsylvania Teamsters and Employers Pension Fund retiree representative, flips through one of several notebooks where he records questions and concerns from some of the 17,000 retirees he represents.

When he agreed to serve as retiree representative for the pension board in May 2017, "I knew there were gonna be some reductions, but I didn't know how much it would be," Mr. Lickert said.

The financial situation has grown steadily worse. At that time, the Teamster pension fund totaled roughly $700 million. Today, it sits at about $400 million.

The plan has been selling off $8 million in retirement fund investments each month to pay benefits, according to the fund's attorney, Jason Mettley of the Downtown law firm Meyer, Unkovic & Scott LLP.

Mr. Mettley, whose firm represents about 60 multiemployer retirement plans, said pension plans suffer not because of mismanagement but because of "external economic factors that are beyond their control."

Several Ironworkers' pension funds have made cuts as the construction industry moves to rely more on prefabricated buildings, roads and bridges instead of hiring union labor to assemble them on site. That means fewer people paying into the funds.

One of Mr. Mettley's clients is a retail pension fund whose contributing employers ended up in bankruptcy, hit by the combination of competition from massive retailer Walmart and the financial hits of the 2008 recession.

At the Teamsters' fund, a dismal report from actuaries pegged insolvency by 2029 if benefits are paid at current levels - 4,000 workers pay into the fund that supports 17,000 retirees. The pension plan's board of trustees, following a 2014 law that granted pensions the option to cut benefits, decided to propose a 30 percent reduction.

The proposal, if approved by the U.S. Treasury Department, will be put to a vote by all pension recipients.

Odds are the cuts will go through, as anyone who does not vote is considered as voting in favor of the cuts and voting participation tends to be low. If that happens, the pension board expects the cuts to become effective Sept. 1.

Joseph Molinero, a board member and president of Teamsters Joint Council 40, said he sympathizes with those who will struggle to make ends meet. After all, the cuts affect him and the rest of the board, too.

But he said the cuts became the only option.

"If you're waiting for pension reform, you're gonna go out of business," Mr. Molinero said. "We waited and waited and waited, and finally it came to the point that if you don't do something, and you don't do it fast, you dig yourself into a hole you can't get out of."

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