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Pennsylvania Conference of Teamsters

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LEGISLATIVE ACTION ALERT

Teamsters See New Congress Favoring Pension Reform

by **FreightWaves©**

Legislation aimed at saving the Teamsters' Central States Pension Fund from bankruptcy has a much better chance of making it through the new Congress, the union tells FreightWaves.

The Rehabilitation of Multiemployer Pensions Act, introduced today in the U.S. House of Representatives by Democrat Richard Neal of Massachusetts, was first introduced by Neal in 2017 but did not gain traction. However, with pension reform-friendly Nancy Pelosi leading the Democrat-controlled Congress, the Teamsters are more confident of the bill's success.

"It's a different world in this Congress with the Democrats now the majority party in the House," Teamsters Union vice president John Murphy told FreightWaves.

Murphy said that the bill introduced in 2017 took over a month to get a Republican to sign on. "The significance of today's filing is that we have an equal number of Democrat and Republican co-sponsors, so right from the get-go there's bipartisan support. I'm fully confident it will be successfully passed by the House and sent to the Senate sometime in mid- to late 2019."

The bill is aimed at helping save more than 300 multi-employer plans across the country in danger of failing, including Central States, which has roughly 400,000 Teamster members. It is estimated to be insolvent by 2025 after years of contributions that were scaled back – or eliminated – by employers such as **YRC Worldwide** (NASDAQ: YRCW) and UPS Freight, **UPS Inc.**'s (NYSE: UPS) less-than-truckload unit.

Central States currently pays out approximately $2.8 billion in pension benefits annually but collects only $700 million in contributions and withdrawal liability payments.

"Couple the effects of trucking deregulation with the decline of organized labor in the U.S. – this all forced pension funds to make up for the decline by going to the stock markets," Murphy said. "But the recession of 2008-09 was so bad that the recovery we've seen couldn't make up for the assets that were lost."

Neal's bill would create the Pension Rehabilitation Administration, a new agency under the U.S. Treasury Department, that would sell bonds in the open market to large investors such as financial firms. Those proceeds would then be used to bolster faltering pension plans as part of a 30-year loan program.

According to the 2017 version of the bill (the current bill's language, which the Teamsters said is similar, was not yet available), the Employee Retirement Income Security Act of 1974, known as ERISA, would be amended to allow the sponsor of a multi-employer pension plan applying for a loan to also apply to the Pension Benefit Guaranty Corporation (PBGC) for financial assistance if, after receiving the loan, the plan would still become or remain insolvent within the 30-year period beginning on the date of the loan.

Not all are convinced, however, that the loan program envisioned under Neal's bill would be enough to stave off the inevitable.

Analysis conducted in November by the Pension Analytics Group found that while the legislation would have some positive effects – allowing multi-employer plans to continue paying full benefits for an average of 16 additional years beyond what would be possible without a loan, for example – it doesn't address the plans' underlying funding deficits.

"Rather, it temporarily masks the deficits, as opposed to reducing them," according to the group. "Eventually, taxpayers and the PBGC will face losses associated with the program in the form of Treasury paid-for loan defaults and PBGC assistance payments."