



May 19, 2010

“Union Pension Bailouts are Coming”

Rick Manning, [Americans for Limited Government](#):

Operating under the benign sounding title, “Create Jobs and Save Benefits Act of 2010”, [Senator Robert] Casey’s [D-PA] bill is actually nothing more than a transfer of approximately \$165 billion in Big Labor’s pension debt over to the U.S. taxpayer.

For decades, one of the primary organizing tools used by labor unions has been the promise that their members will enjoy secure pensions upon retirement. Most of these union pensions are held in what are known as multi-employer pension funds. Created in 1974 as part of the Employee Retirement Income Security Act, these funds are an agreement between a union and two or more employers to fund the pensions of workers and retirees.

The rub is that if a company goes out of business, their employees remain in the system, and become the remaining company’s responsibility. As these multi-employer pension plans become more and more insolvent, the unions that run many of them do not take the fiscally responsible step of cutting benefits, raising the retirement age, asking the members to contribute to the fund, or, gasp, contributing to the fund using union dues money. Instead, many have just wished that the problem would go away.

Now, the piper is demanding to be paid.

Moody’s rating service has found that large multi-employer pension funds are underfunded by \$165 billion. This includes funds that either pay or secure the retirement for many Teamsters, AFL-CIO and SEIU members and other large, politically connected unions. Not surprisingly these unions are using the clout gained from spending their cash on politics rather than pensions to demand a taxpayer bailout.

Enter Senator Casey and his House cohorts in crime, Earl Pomeroy (D-ND) and Pat Tiberi (R-OH), who have a solution. Keep the benefits for the members of the Multi-Employer Pension Funds the same, but have them guaranteed by the Pension Benefits Guaranty Corporation (PBGC).

Who guarantees the PBGC? You guessed it, you and I, the American taxpayer. Just another proposal pushing one set of favored constituents over the rest that ensures the dizzying growth of our nation’s deficit continues unabated.

If these multi-employer lock boxes are underfunded — and they are, obviously — the question, it seems to me, is *who is responsible?* Who failed to meet its part of the agreement for funding and why?

If it is the companies who agreed in principle to take on the pensions — and they cannot meet that obligation — the unions can either demand the companies be liquidated to meet those obligations (the net result being a loss of jobs but a payment of retirement benefits as promised) or the unions can adjust demands in a compromise that will maintain corporate solvency and so retain jobs.

Is that about right?

What *shouldn't* happen is that taxpayers be asked to make up the difference — in a move that serves as de facto welfare both for corporations AND union workers. Or at least, that's how it appears to me at first blush.

Those of you better versed in such contractual agreements are encouraged to set me straight.