

# Shaky Central States Pension Fund May Need Federal Bailout, Lawyer Says

By Rip Watson  
Senior Reporter

TAMPA, Fla. — The economic weakness of the Central States Pension Fund and other multi-employer plans may prompt a federal bailout because obligations to retirees are mounting and contributions are dwindling, a Washington pension attorney said.

Speaking to the Distribution & LTL Carriers Association meeting here, Herve Aitken said Central States will have difficulty surviving because of the income-outgo imbalance and recent losses.

Central States' assets shrank from \$26 billion to \$17 billion in 2008, before recovering \$2 billion of that decline last year, based on a trustees' report issued last month. Central States, Chicago, will have to earn returns on its investments of at least 12% annually for the next 15 years to become fully funded, Aitken said.

"Many multi-employer plans are in very poor financial shape," Aitken said, with four retirees drawing benefits for every working person contributing to the fund. "Their only lifeline now is return on investment."

"There could well be legislative solutions," he said, referring to bailouts from a labor-friendly Obama administration, he said.

Aitken said one reason why Central States' future is questionable is its investment strategy, which is based nearly 70% on the stock market, raising the risk of losses during market fluctuation.

The status of pension funds is important to trucking because under federal law, companies that are still in business pay for benefits of workers from failed companies.

Aitken said legislation to address the pension fund issue could focus on so-called "orphans," the retirees from those companies, such as Consolidated Freightways, that have shut down. They represent as much as half of the current beneficiaries in Central States, he added.

Among the executives who have campaigned for legislative changes to lift the responsibilities for paying benefits to those "orphans" are YRC Worldwide Chief Executive Officer William Zollars and recently retired Arkansas Best Corp. CEO Robert Davidson.

Aitken estimated that a bailout of the multi-employer funds could cost at least \$50 billion, about what the federal government paid General Motors to help the automaker survive.

To date, there is no bailout legislation pending, although Congress is considering legislation on multi-employer funding issues.

Legislation that would make it easier for the funds to meet targets, such as the percentage of assets they have relative to obligations, was introduced last year by Rep. Earl Pomeroy (D-N.D.) and Rep. Pat Tiberi (R-Ohio). It has not yet been taken up by the House Health, Employment and Labor and Pensions subcommittee.

Central States did not return

requests for comment.

The fortunes of most multi-employer funds have been sinking since 1980, when there were four workers who were making contributions for every retiree. Five years later, the Central States managers began a process that tripled pensions to \$3,000 a month by 1995.

Since 1980, employer contributions per worker have climbed from \$32 a week to \$312 a week, as the number of active participants in the fund dwindled to less than 73,000 in 2009, or 80% less than in 1980.

"They increased benefits at a time when the number of active participants was declining," Aitken noted.

Contributions from workers and employers shrank to \$750 million in 2008, when payments to retirees topped \$2.7 billion. Last year, contributions declined further after Central States agreed last year to a cessation of contributions by YRC at least through the end of 2010.

The payments cut was part of a sweeping series of YRC cost reductions that included pay cuts for all workers, renegotiated credit agreements and closing of hundreds of terminals as national less-than-truckload units were combined.

YRC halted contribution to all the multi-employer funds to which it contributed, but the majority of the company's workers are in Central States.

One of the Teamster funds that is healthier is the Western Conference fund, which fell into difficulty when the economy sank but has now recovered to nearly full funding.