

# Federal insurance company low on funds to cover union pensions



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Teamsters Local 707 — covering 4,000 retired truckers across the city and Long Island — hit rock bottom in February. (NAMEINFAME/GETTY IMAGES/ISTOCKPHOTO)

The clock is ticking for 71 penniless union pension funds that rely on a federal insurance company to support their retirees — because the agency itself is also running out of cash, its director said Wednesday.

The Pension Benefit Guaranty Corporation's limited liquidity is part of the spiraling U.S. pension crisis that threatens to wipe out the retirement savings of more than a million Americans.

The PBGC talked about its reduced circumstances Wednesday as it announced that it is now officially making pension payouts for Teamsters Local 707.

The New York union's pension fund — covering 4,000 retired truckers across the city and Long Island — hit rock bottom in February.

The PBGC stepped in, as it has with 70 other bankrupt union pensions.

But PBGC only has about a decade's worth of cash in its coffers, director Tom Reeder warned.

"This is a big issue for us. It's a big issue for Local 707 and it's a big issue for others in the same situation across the country," Reeder said.



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"We're projected to run out of money in eight to 10 years. Many union pension plans are projected to run out in 20 years," he explained.

"There are going to be people in plans who run out of money after we do, and there will be no water in the well."

Right now, PBGC has \$2 billion in assets built up over 42 years, Reeder said.

The company makes its money through premiums charged to unionized multi-employer pension funds — many of which are caught in an unprecedented financial crunch that's decimated thousands of union retirees.

Last year, when PBGC was supporting 65 bankrupt plans, it paid out \$113 million, agency officials said.

In 2017, with even more insolvent plans on its books, PBGC is shelling out even more.

Local 707 alone, with its 4,000 retirees, costs PBGC \$1.7 million a month, agency officials said.



Tom Reader, the Director of the Pension Benefit Guaranty Corporation.  
(PENSION BENEFIT GUARANTY CORPORATION)

In order to keep afloat, PBGC doesn't try to match a retiree's union pension. The payouts are cut, often down to about one-third of what the worker is due.

Ex-truckers with Local 707 shared their new financial reality with the Daily News last week.

Ray Narvaez, 77, retired in 2003 after more than 30 years as a Teamster with a \$3,400 monthly pension.

Now his monthly take home is \$1,100 before taxes.

Narvaez is actually one of the luckier ones in 707.

According to PBGC officials, the average 707 retiree was getting \$1,313 a month from the union pension fund.

Now that the fund is broke and dependent on PBGC's insurance payouts, the average monthly take home is \$570, agency officials said.

But that's nothing compared to the cuts that would hit union retirees if the PBGC went under, said Reeder.

If that were to happen, PBGC would have to rely solely on what it earned from incoming premium payments.

Retirees could expect to see their benefits slashed by 80%. In other words, less than one-eighth of the \$570 average check PBGC is able to give Local 707 retirees now.

"The amounts would be negligible. Their retirement payouts would be very low," a PBGC official said.

The disaster that's struck Local 707 is looming for several other, much larger Teamster pension funds.

Retirees in construction, mining and the retail and service industries have been hard-hit too.



The Pension Benefit Guaranty Corporation may not be able to cover retired truck drivers in Teamsters 707 for very long. (CLAUDIAD/GETTY IMAGES)

All of the critically underfunded pensions are multi-employers plans — meaning they were created by various companies that all employed union workers across the same industry. The Teamsters, predominantly a trucking union, has seen its pension funds devastated by stock market crashes and a shrinking employer base.

Two of the largest union pension funds teetering on the brink of insolvency — the Central States Pension Fund and the New York State Teamsters Pension Fund in the Albany region — cover Teamsters.

If the Central States Pension fund goes broke, it could swamp PBGC — if it hasn't gone broke first.

The majority of union multi-employer pension funds are doing well, as are single-employer union pension funds, Reeder said.

"It's a minority, but a significant minority, of the multi-employer plans that are in trouble," he said.

Reeder and many of the union pension funds are pinning their hopes on Congress.

The PBGC is looking for an increase in the premiums it can charge the union funds, which requires Congressional approval.

"It won't be painless" to shore up the insurance fund, Reeder said.

But it will be far cheaper to do it now than to wait until the last minute, he said.

"We are fairly confident that we will be insolvent on the multi-employer side by 2022 or 2028 barring a legislative change," he said.

For Edward Hernandez, 67, a retired Local 707 trucker whose monthly pension just got slashed \$2,422 to \$902 before taxes, the time to sound the alarm was nearly two decades ago.

"I was saying back then to Local 707, 'Why don't we do something about it now, let's go to Washington,'" he said. "Even 15 years ago we were getting letters that our fund was becoming insolvent. Why couldn't anyone find a way to fix this then?"