Teamsters pension fund to slash benefits for 400,000 retirees

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The Teamsters' Central States Pension Fund, one of the largest retirement funds in the country, has sent letters to over 400,000 beneficiaries announcing that they will lose thousands of dollars in retirement benefits. Many current retirees will see their benefits slashed by 50 percent or more.

The plan to cut benefits for active and retired truck drivers, package handlers and other workers is the opening shot of an assault on multi-employer pension funds spearheaded by the Obama administration in coordination with major corporations and the trade unions. It marks a major escalation in the corporate-government drive to gut the pension benefits of both public- and private-sector workers across the US economy.

Up to one million beneficiaries of multi-employer pension funds stand to have their pension benefits slashed under the Multiemployer Pension Reform Act of 2014, which establishes a framework for slashing benefits that had previously been guaranteed under federal law.

While the Teamsters, the AFL-CIO and other unions have recently made statements claiming to oppose the pension cuts, they have worked for years behind the scenes to allow their corporate "partners" to short-change pension funds, and major unions, including the Service Employees International Union, the United Food and Commercial Workers union, and North America's Building Trades Unions, endorsed the 2014 bipartisan bill providing a legal fig leaf for the assault on multi-employer pension benefits.

The bill, moreover, was based on a proposal drafted in 2013 by the National Coordinating Committee for Multiemployer Plans and signed by the International Brotherhood of Teamsters and the International Association of Machinists and Aerospace Workers.

A multi-employer pension plan is defined by the government as "a collectively bargained plan maintained by more than one employer, usually within the same or related industries, and a labor union." Such plans were created to allow unionized workers to receive a secure retirement even if they switched employers within a single industry.

Multi-employer pension funds, like pension funds more broadly, have for decades been starved of contributions by the corporations that are obligated to finance them. As a result, the federal Pension Benefit Guaranty Corporation, which guarantees the funds against default, posted a record deficit of $ 61.7 billion in 2014 and has warned that it will run out of money within the next ten years.

These massive pension funds, largely controlled by the unions, have long provided a lucrative source of income for union officials. The fund's executive director, Thomas Nyhan, received a $662,060 salary in 2013.

The pension funds are an integral part of the business operations run by the pro-company organizations that falsely claim to represent the interests of the workers who are compelled to pay dues to union officials. Faced with the prospect of these funds becoming insolvent, the union executives who control them have conspired with the corporations and the government to place the burden squarely on the backs of the workers by imposing brutal cuts in their benefits.

The passage of the Multiemployer Pension Reform Act of 2014 and its implementation by the Teamsters Central States Pension Fund exemplify the conflict between the financial interests of the official unions and the economic and social interests of the working class.

The drive to slash the benefits of workers and retirees covered by multi-employer pension funds follows in the wake of the Detroit bankruptcy, which set a precedent for overturning legal protections for the pensions of public-sector workers.

But the proposed Teamsters fund cuts are both deeper and broader. While Detroit's pension cuts affected 30,000 workers and entailed a 4.5 percent reduction in base rates, plus the termination of cost-of-living adjustments, the Teamsters fund cuts will, in their initial round, affect hundreds of thousands of retirees and entail an average benefit reduction of 23 percent.

Given the fact that the average annual payout to the plan's beneficiaries is $15,000, already hopelessly inadequate to maintain a decent retirement, the proposed cuts will mean an average reduction of over $3,000 per year, or a collective annual cut of $1.4 billion.

This is just the beginning. The White House claims that 10 percent of the 10 million recipients of multi-employer pension benefits are in plans that are "significantly" underfunded, putting up to 1 million households at risk of having their pensions slashed under the terms of the 2014 act.

The attack on multi-employer pension funds is part of a broader drive to dismantle pensions in the United States, including campaigns underway in Illinois, California and other states to cut the constitutionally-protected pension benefits of public-sector workers, as well as the drive by the auto, steel and mining industries to curtail the benefits of current workers and expand the share of the workforce receiving "second-tier" pay and benefits.

This attack is being coordinated at the highest level by the Obama administration, which gave its explicit assent to the cutting of workers' pensions in the Detroit bankruptcy and has made slashing multi-employer pension benefits a major priority.

In June, the White House announced the appointment of longtime Washington fixer Kenneth Feinberg to oversee cuts to multi-employer pensions. As the "pay tsar" for the Obama administration's bank bailout, Feinberg rubber-stamped six- and seven-figure bonuses handed out to executives at Wall Street firms that received billions of taxpayer dollars. He will continue his role as Wall Street bag man in his new job overseeing the gutting of pension benefits.

While the proposals to cut benefits will be put to a vote among beneficiaries, these votes will be meaningless, as Feinberg will have unilateral authority to overrule any vote in opposition to benefit cuts.