

US Treasury rejects plan for slashing Teamsters pensions, calling for deeper cuts

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The US Treasury Department rejected Friday a proposal by the Teamsters' Central States Pension Fund (CSPF) to cut pension benefits for hundreds of thousands of retired workers. If implemented, the cuts would have slashed benefits for retired truck drivers and other workers by up to 80 percent.

The decision was handed down by government fixit man Kenneth Feinberg, who invited pension fund directors to submit a modified proposal in answer to his criticisms.

Feinberg cited several reasons for his decision, in the first place that the cuts were based on unrealistically optimistic projections of investment returns and were therefore not deep enough to guarantee the fund's long-term solvency. He also objected to the uneven character of the proposed cuts and to the opaque language used in the notification sent to pensioners.

At risk are the retirement benefits of some 270,000 workers covered by the multiemployer pension fund. The attack on their pensions is the result of the collaboration of the unions, the Obama administration and the Democratic Party, which conspired to enact pension "reform" legislation in 2014 giving multiemployer pension funds the ability to petition the Treasury Department for permission to slash benefits. The CSPF was the first to request cuts under the new law.

The proposed pension cuts evoked a storm of outrage from retirees. In hearings in Detroit and Minneapolis earlier this year pensioners attacked the cuts, outlining their devastating consequences. However, Feinberg was empowered to override the objections of pensioners and impose the cuts anyway.

The CSPF case is being used to set a precedent for a massive assault on pension benefits. It could open the floodgates to petitions for pension cuts by dozens of

other multiemployer pension funds.

Feinberg is a trusted representative of the US government and corporate interests, who has been involved in numerous victim compensation cases. He is an expert at feigning sympathy for victims of corporate crimes—from the BP Oil spill to the GM ignition scandal—while safeguarding the interests of executives and stockholders. In the process he has saved the government and corporations billions by awarding inadequate payouts.

Feinberg's role in the CSPF is a reprise of his earlier actions aimed at creating an aura of impartiality around the decision to impose devastating cuts on retirees who have worked and struggled all their lives.

A major factor in Feinberg's decision appears not to have been the objections of pensioners, but the opposition of United Parcel Service and supermarket chain Kroger Co. Both companies challenged the legality of the CSPF cuts. In the case of UPS, the package delivery company stood to lose between \$3.2 to \$3.8 billion if the pension cuts went through. That is because a "backstop" agreement in the 2007 Teamster contract required the company to provide a "supplemental retirement benefit" to its retirees if the CSPF fund ever cut its benefit payout.

The deal came about as a result of the agreement by the Teamsters to allow UPS, the CSPF's largest employer, to quit the plan. The decision, which undermined the solvency of the pension fund, allowed the Teamsters to collect dues from workers at the UPS freight division.

The 2014 pension reform act imposed a tiered benefit reduction process specifically for the CSPF. In its challenge to the proposed pension cuts, UPS argued that the benefit reductions were not legal because they impacted disproportionately workers in the third tier,

which comprise UPS participants. In his ruling, Feinberg cited the “larger benefit suspensions” for some UPS truck drivers and loading dock workers.

Kroger and the Teamsters also filed a legal challenge to the pending pension cuts on the grounds that they had negotiated a proposal to remove Kroger retirees from the CSPF and create a new plan, a move that would have further undermined the fund’s solvency. The Treasury Department rejected the proposal, and both the company and the union sued for reconsideration.

Feinberg’s decision to reject the cuts drew fire from figures in the Democratic Party, including Joshua Gotbaum, the former head of the federal Pension Benefit Guaranty Corporation (PBGC). Gotbaum, an Obama appointee, told *Market Watch* that “it is a case of political cowardice.” He continued, “No one wants to admit that pension benefits have to be cut, and therefore, in public, no one wants to be seen supporting anything that cuts benefits.”

Former North Dakota Democratic Congressman Earl Pomeroy called the rejection “irresponsible.”

Obama’s Treasury Secretary Jacob Lew warned Teamster retirees that Feinberg’s decision “does not resolve the issues” threatening their pensions. “The Central States plan, like a number of other multiemployer plans, remains severely underfunded and is projected to become insolvent within the next 10 years.”

Thomas Nyhan, the executive director of the CSPF, lamented the decision, saying the cuts were the only “realistic” decision to avoid bankruptcy because the PBGC is also projected to run out of money if the CSPF goes under.

Part of the motivation for Feinberg’s ruling may well have been to delay any cuts until after the November election. In election-year posturing, more than 100 congressman, including Democratic Senator Elizabeth Warren of Massachusetts, signed a letter asking for a review of the proposed CSPF pension cuts. The insincerity of these objections, however, is demonstrated by the fact that no one is proposing any additional funding to guarantee the solvency of the CSPF or other pension funds facing bankruptcy. Indeed, many of those signing the letter backed the 2014 pension reform bill.

Teamsters President James P. Hoffa, meanwhile,

issued a statement hailing Feinberg’s decision. He went on to assert, “This decision means that there won’t be any cuts to retirees’ pensions this July or the foreseeable future.”

This is simply a lie. Feinberg’s rejection of the CSPF proposal for cuts is to all appearances purely tactical. Nothing stops the CSPF from making a new application addressing Feinberg’s objections.



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