Carpenters in Detroit denounce draconian pension cuts proposed under 2014 federal law

Debra Watson
8 January 2021

The general assault on the pensions of US workers under the Obama era Kline-Miller Multiemployer Pension Reform Act of 2014 has now taken aim at the pensions of tens of thousands of construction workers in southeast Michigan. Nearly 20,000 active and retired carpenters and millwrights in the Detroit metropolitan area are facing deep cuts in their pensions in July 2021.

The Warren, Michigan-based Carpenters and Millwrights fund submitted a revised application in 2020 to Treasury Secretary Steven Mnuchin under the Application for Suspension of Benefits required by the 2014 federal legislation. The current Board of Trustees includes now president of the Michigan Regional Council of Carpenters and Millwrights, Mike Barnwell, and other officials of the carpenters and millwrights regional and local unions.

According to data presented to the US Treasury Department, the $772 million carpenters and millwrights fund is only 34.5 percent funded and in “critical and declining” status. It is projected to run out of money to pay benefits to 19,600 active or retired members by 2035.

The latest communications from trustees to members report the financial shortfalls have been exacerbated by the losses in construction jobs resulting from the coronavirus.

This is the second submission to the US Treasury by the fund. Some retirees have been told they would get cuts of 15 to 26 percent in their monthly checks. The comments from pension recipients related to looming cuts to Detroit-area carpenters were closed by the US Treasury Department in mid-December, 2020. The projected cuts have been denounced by many workers on the Regulations.gov comments website.

One retiree, Michael Fannelli, outlined how the new cuts only added to previous ones imposed under laws existing before the 2014 federal legislation. He wrote of his personal losses, “The Michigan carpenters fund trustees made the tough decisions in 2008 and raised retirement age to 58 and went to a 90 point requirement.” He goes on to explain how several more cuts were made at key points in the following decade, and he wrote that when he applied for retirement, “my body [was] worn out both knees needing replacement, already have undergone spinal fusion, rotator cuff repair, and hernia repair surgeries.” His original pension would be cut a total of 60 percent, combining the proposed and previous cuts from the amount he expected to retire on after he put in decades of work.

Another retired carpenter, Michael Vanderhoff wrote, “I have worked hard for 30 years and have been retired for 10 years. My body is shot! When I retired I felt confident I could survive on my pension. I feel I have been let down by both my union and government.”

The next step in the grim legalistic process, a vote by the participants of the fund to approve the draconian cuts, is thoroughly rigged and can only produce an outcome beneficial to business. The vote is largely a formality to create a legal facade to undermine protection and promises made to construction workers during their working lives.

The Kline-Miller Omnibus Bill of 2014, supported by Democrats and Republicans alike in Congress, is the vehicle being used by business interests to gut the pensions of construction workers and other major sections of the working class in the US. Ever wider layers of workers are losing retirement benefits as corporations seek to claw back all the gains workers made through past struggles.

For 40 years, under the federal Employee Retirement Income Security Act (ERISA) of 1974, defined benefit plans have been allowed to change the rate at which a worker earns future benefits, but could not reduce the amount of benefits a worker or retiree had already accumulated.

Single-employer pensions have long been under wholesale attack as corporate raiding and bankruptcies closed or reorganized capitalist firms in order to cut costs. The 2014 law created a mechanism to expand the cuts to skills and classes of workers who likely labor at several different employers during their working lives.

The Kline-Miller Omnibus Bill created a legal mechanism to attack the multiemployer plans covering the retirement benefits for workers in trucking, mining, construction and other sectors. It was crafted with direct collaboration between business, government and the unions collecting dues from these workers.

The passage of Kline-Miller was preceded by the historic ruling of bankruptcy judge Steven Rhodes in 2013, overriding the Michigan state constitution, to allow the gutting of pensions of tens of thousands of Detroit city workers.

Like the blackmail narrative that union tops used to engineer the favorable vote in the Detroit city workers case, if the carpenters plan is voted down, the trustees claim retirees would lose out anyway. According to the law, their multiemployer pension fund is expected to go broke and pensions then shifted to draw from the federal Pension Benefit Guarantee Corporation (PBGC). That would mean pension cuts of between 20 percent and 90 percent for each beneficiary in multiemployer plans.

A recent vote by the Southwest Ohio Regional Council of Carpenters Pension Plans 5,527 participants, concerning US Treasury-approved reductions under the same pension reform law, revealed a great deal about how the process is rigged against workers. The Treasury authorized the cuts based on a formula that counted non-voters as "yes" votes. The plan had been rejected nearly two to one by those voting.

Just as alarming is the fact that the multiemployer PBGC itself is expected to be bankrupt by 2025. The multiemployer plan was underfunded by $638 billion in 2015, up from $193 billion in 2007. The PBGC had a $54 billion deficit in 2018, up from $739 million in 2006.

A Treasury acceptance letter for an Ohio carpenters trust fund approved in 2019 says that the fund must now prove solvency every year going forward.

The massive fund for Detroit-area construction workers is one of about 125 multiemployer pension plans nationwide. The multiemployer funds that already have or are expected to submit applications for permission to cut benefits soon, affect 1.4 million workers and retirees in the US.

Among the multiemployer plans in trouble and listed on Treasury's pension reform site is the United Central States Pension Fund, covering truckers and UPS retirees. A plan proposing cuts of up to an 80 percent reduction in benefits was rejected as insufficient by Treasury officials in 2016, based on "inequity" in cuts to general truck drivers and some of the UPS participants. There are 400,000 participants and beneficiaries depending on the fund.

Various schemes to bolster failing pension funds have made no progress in Congress.

None offer a solution. An incentive to further risky investments comes as carpenters have cited the bad investments and outright graft that contributed to the insolvency of the fund and reduced benefits through point and retirement age adjustments in previous years.

One retired carpenter told the *World Socialist Web Site* that the number of employers who no longer pay into the carpenters pension fund has mushroomed. He noted: "Yes, there are less young people paying in," referring to some estimates that put 2.5 retirees to every working carpenter or millwright paying into the plan. He continued: "But how did that happen? You have a lot of construction now but many of the jobs—sometimes the same construction companies that were in it before—not contributing into the pension plan. How can there be all that construction going on in downtown Detroit and there be so many fewer construction workers paying in?

"This has been going on for some time. First the pension trustees told us that it would only affect the younger guys, not the ones who had been working for a while or already been retired. It's a very complicated formula now but I hear all are going to be cut by some amount.

"I think there should be an investigation of the corruption. As to the claim they made bad investments—whatever they did they lined their own pockets. [Former chairman of the pension fund's board] Ralph Mabry went to jail, convicted and put on one year supervised release. The federal government seized files and everything.

"I have a lot of relatives who are carpenters and they are going to lose at least 15 percent across the board. One of my younger relatives told me recently that he has not worked a union job in five years."