



Written by [Bob Adelman](#) on March 2, 2017

Federal Insurance Agency Backing Union Pensions Facing Crisis Itself

When Teamsters Local 707's pension plan ran out of money in February, it sought assistance from the federal Pension Benefit Guaranty Corporation. [Said PBGC Director Tom Reeder](#):



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.

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.



The federal insurance agency is now paying out \$1.7 million every month to the stranded retirees of Local 707.

707's problems have been decades in the making. In 1999, the multi-employer plan was fully funded but the Dot.com bubble, 9/11, and the Great Recession cut into the plan's assets massively. The near-bankruptcy of Yellow Freight, one of the plan's largest members, in 2009 not only forced its employees, including its Teamsters drivers, to take massive pay cuts, it also eliminated its ability to fund its pension plan for 18 months. And when those payments into the plan restarted, they were at just 25 percent of the previous rate. Mathematics took over: 707's plan was paying out \$48 million to retirees every year while taking in just \$7.5 million in contributions.

Now 707's retirees are taking another haircut. Ex-trucker Tim Chmil put it wryly: "I had a union job for 30 years. We had collectively bargained contracts that promised us a pension. I paid into it with every paycheck. Everyone told us: 'Don't worry, you have a union job, your pension is guaranteed.' Well, so much for that."

Chmil's pension was \$4,000 a month. Today it's less than half that. And if the PBGC goes broke, it could drop further, to just a little over a hundred a month.

Another ex-trucker, Ray Narvaez, thought he was covered by the plan. He has a certificate that guaranteed him \$3,479 a month when he retired in 2003. He even got a 13th month "bonus check" every December, just in time for Christmas. A year ago his monthly check dropped to about \$2,000. Now, with PBGC picking up the slack from the empty pension plan, Narvaez now receives \$1,170 a month.

Edward Hernandez' check went from \$2,422 a month to \$1,465 last year, and is now just \$760 a month.

Local 707's plan covers 4,000 retirees. Right behind it is the New York State Teamsters Conference Pension and Retirement Fund, covering 35,000 plan participants. At last count it owes \$3 billion to its retirees but has less than \$1.3 billion in the bank.



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The Central States Teamsters pension plan covers 407,000 participants with \$35 billion in liabilities and less than \$18 billion to pay them.

This is about to put the PBGC into a horrific bind. In 2015, the agency paid out \$5.6 billion in benefits to participants of failed single-employer pension plans and another \$103 million to failed multi-employer pension plans. But that latter number is likely going to be much larger very soon. At the moment the PBGC has \$88 billion in assets to cover \$164 billion in obligations, and that was calculated before Teamsters 707 went bust. As the *New York Daily News* put it: "The clock is ticking for [another] 71 penniless union pension plans."

If the PBGC goes broke, then its backup promises would be, for all practical purposes, worthless: The average check it is sending out to retirees of failed pension plans is currently \$570 a month. If the PBGC runs out of money, it will be forced to rely solely on the fees it charges to those pension plans it insures, forcing them to reduce those monthly checks further to an estimated \$114 a month.

PBGC is looking to Congress for assistance. It cannot raise its fees without permission. But the shortfall is so vast that it's very likely that raising the fees from a steadily dwindling number of pension plans that are still viable will not even come close to covering its obligations.

In the 1978 *Superman* film, Superman saves Lois Lane from falling to her death from a tall building. Said Superman: "Easy, miss. I've got you." Said Lois Lane: "You — you've got me? *Who's got you?*"

As the PBGC continues its fall from a tall building, the answer to that question is, as always, the U.S. taxpayer.

An Ivy League graduate and former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at LightFromTheRight.com, primarily on economics and politics. He can be reached at badelman@thenewamerican.com.

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