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Almost half of top unions have underfunded pension plans

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Almost half of the nation's 20 largest unions have pension funds that federal law classifies as "endangered" or in "critical" condition due to being underfunded, an Examiner review of federal actuarial reports shows.

Pensions with less than 80 percent of the assets needed to cover present and projected liabilities are considered "endangered," while those that fall below a 65 percent threshold are classified as "critical" under the Pension Protection Act of 2006.

Unions are required to file 5500 forms that record the financial health of their retirement plans, show that union pension funds have lost their financial footing over the past several years.

Eight of the largest unions have underfunded plans, according to the most recent 5500 reports, including the Service Employees International Union (SEIU), the United Food and Commercial Workers (UFCW), the International Brotherhood of Electrical Workers, the Laborers International Union of Northern America, the International Association of Machinists, the United Brotherhood of Carpenters, the International Union of Operating Engineers, and the National Plumbers Union.

The average union pension has resources to cover only 62 percent of what is owed to participants, according to the Pension Benefit Guarantee Corporation (PBGC). Less than one in every 160 workers is covered by a union pension with required assets.

These figures demonstrate that the liability challenge to the long term of health of union funds is systemic and across the board, said Brett McMahon, vice-president of Miller and Long, a Maryland-based concrete construction company.

Demographics figure prominently in the erosion of pension assets now that a smaller percentage of union

workers are available to support an expanded group of retirees, McMahon said. Only 7.6 percent of private sector employees are members of a labor union, according to the Bureau of Labor Statistics.

The growing number of local and national union pensions that lack sufficient resources to cover their obligations could threaten the retirement security not just of union members, but also non-union employees if the proposed Employee Free Choice Act (Card Check) becomes law as currently written, McMahon said.

The Card Check legislation includes provisions both to abolish secret ballots in union representation elections in the workplace and to require a binding arbitration process that greatly favors unions, McMahon said.

"It's like the Social Security problem on steroids," McMahon said. "We are talking about a systemic, demographic problem where there are too few people paying in and the plans can't earn enough returns to make up for the difference."

McMahon believes "union members are not being told the truth about the condition of their retirement plans. The danger to non-union workers comes in with Card Check because there is nothing in it that prohibits an arbitrator from shoving companies and workers into these underfunded plans."

Diana Furchtgott-Roth, a senior fellow with the Hudson Institute, is encouraging EFCA critics to focus more attention on the arbitration side of the bill in addition to "card check" for this same reason.

Multi-employer pension plans that are typically negotiated by unions should be of particular concern because they have less federal insurance than single-employer pension funds, McMahon pointed out. The PBGC only guarantees $12,870 in annual payments to a member of the multi-employer plan in contrast to $54,000 for members of a single-employer plan.

If anything, the current 5500 records vastly understate the deteriorating condition of union pensions because they do not include the stock market drop from last year, James Sherk a labor expert with the Heritage Foundation points out. Reports are typically not filed for more than 12 months after the end of a plan year.

"There are a lot of red zone notices going out now for funds that fell under the critical percentage for liabilities with the market meltdown," he said. "This would not be evident under the most recent 5500s because they only cover through 2007."