

Teamsters Local Union No. 810

affiliated with
INTERNATIONAL BROTHERHOOD OF TEAMSTERS



TEAMSTERS, CHAUFFEURS, WAREHOUSEMEN
HELPERS, DRIVERS, RUG CLEANERS, DYERS,
HANDLERS, STEEL, METAL, ALLOY,
HARDWARE FABRICATORS, PRODUCTION,
AND SKILLED MAINTENANCE WORKERS

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March 26, 2018

Senate Committee on Finance
Attn. Editorial and Document Section
Rm. SD-219
Dirksen Senate Office Bldg.
Washington, DC 20510-6200

Re: Joint Select Committee on Solvency of Multiemployer Pension Plans Open Executive
Session to Organize the Joint Select Committee
Wednesday, March 14, 2018

To Whom It May Concern:

I am writing to submit a statement for the record for the March 14, 2018 hearing and request permission to attend the next hearing and speak on behalf of the United Wire, Metal and Machine Pension Fund, Affiliated Pension Fund, and Local 805 Pension and Retirement Fund (hereinafter the "Funds") in support of a bipartisan solution to the looming pension crisis in my capacity as the President of Local 810, International Brotherhood of Teamsters (the "Union" or "Local 810"), representing thousands of hardworking men and women throughout New York, New Jersey, Connecticut, Massachusetts and Pennsylvania and sitting as the Chairman of the Board of Trustees for the Funds.

Like many defined-benefit pension funds in the United States, the three pension funds on which I serve as a Trustee are struggling. Specifically, each fund is in Critical and Declining status, one of which is only four years from insolvency. As a Trustee, it is my fiduciary duty to take whatever actions I can to help preserve the assets of the Funds and the promise of retirement for thousands of participants. Put simply, there are many families who have placed their trust in me to safeguard their retirement and who look to me for answers.

About Local 810

At this critical juncture, it is worth examining how we got into this situation. For me personally, I think it is worth discussing how I became the President of the Local 810 and why I would take on the responsibility of overseeing three pension funds in Critical and Declining status. Over twenty years ago, I started walking on a strike line in support of a small group of men and women who were fighting for increased wages, more affordable healthcare, better pensions, and better working conditions. While the strike was temporary, the pride I gained from helping these men and women



was permanent. I soon became an organizer, organizing shops throughout the Tri-State area, building a stronger Union. I worked my way up from organizer, following in my father's footsteps serving as a Business Agent and eventually becoming President of Local 810. Through all of this, the men and women of Local 810 became my family. We share a bond and a sense of camaraderie that is common among unions across the country, but Local 810 is unique. Our Fund Administrator, Harvey Morgan fights every day to help our pensioners. Prior to becoming the Fund Administrator, Mr. Morgan was once the Chief Executive Officer of the Funds' largest contributing employer. For him, as for me, this is personal. For years Mr. Morgan did all he could to assist in sustaining the retirement benefits of his employees, employees who may now never see those benefits. Our General Counsel, Mark Torres, is a former Local 810 Shop Steward and put himself through law school at night, while continuing to work during the day to support his family. As counsel to both the Union and the Funds, Mr. Torres not only fights every single day to protect our members, but he is also a pensioner in the United Wire, Metal and Machine Pension Fund. Our Recording Secretary Donna Santoro has also worked tirelessly from being a longstanding member and Shop Steward up to becoming a Union Officer and Trustee of the Funds. She too fights every single day to protect our members and the funds. There are similar stories for every member of the Board of Trustees and staff who are proud to call themselves Local 810 members. This the type of family environment that characterizes Local 810.

As I am sure you know, Union Officers are not required to serve on the Board of Trustees of their affiliated employee benefit plans. When I became President, all three of the Funds were already in Critical and Declining Status and staring down insolvency. I could have easily appointed others to serve on the Board, instead focusing on the Union and avoiding the liability that accompanies being a Trustee. But for all the hardworking men and women of Local 810, I owed it to them to take on the responsibility of rescuing these failing plans and am doing the best I can to protect their retirement, even if it means accepting personal liability for my actions.

How We Got Here

How the multiemployer industry got into this situation is a complicated story that spans decades. At the outset, the most important factor to realize is that the pension crisis was not caused by the men and women of Local 810 (or any other union). Oftentimes it is easy to scapegoat those affected by blaming them for a crisis of their own making. That is not the case. There was no mismanagement of the pension funds, no greed, no excess risk-taking, or anything nefarious. Instead, the pension crisis stems largely from decades of public policy that have hampered union's abilities to represent workers and changed the working landscape and the 2008 Financial Crisis or the "Great Recession."

For years, government policies have helped to cause the decline of unions in the United States, from the outsourcing of jobs to deregulation across the United States. Since the 1980s, union membership has declined by approximately 4 million workers, such that only one in ten people carry a union card. When combined with the fact that those workers who are unionized represent an aging segment of union population, it is now common to see inactive-to-active ratios of 2 to 1 or greater. In other words, where previously there were four or five workers contributing toward the pension benefits of one worker, there is now one worker contributing to four or five people's pensions; a situation that is untenable in the long run. However, the treatment of unions in the

United States is a different issue for another time. This has been going on for years and is unlikely to change in the near future. Through this changing environment, Local 810 has taken each change in stride, seeking increased contributions from employers at the bargaining table, reallocating resources to needed areas, and organizing new shops.

However, 2008 was the straw that broke the camel's back. Despite the factors referenced above, pension funds were able to offset the declining contribution base through investment gains. As long as the pension funds experienced strong investment gains, they could continue to provide the benefits their members earned. In 2008, that all changed.

Before 2008, few plans were in danger of failing. However, in 2008 many pension funds suffered huge losses, some losing more than 25% of their value in a single year. When a pension fund has an assumption that it will return 6 or 7% each year, it can withstand a few down years. But when a pension fund loses a quarter of its value in a year it was supposed to earn 7%, it makes it nearly impossible to get back on track. For example, if the pension fund earned 14% in 2009, it is not back on track. The assumed 7% return in 2009 was on an asset base that was 7% larger than 2008. As a result, when the pension fund earns 14% on an asset base that has lost a quarter of its value, it is nowhere near where it was projected.

Through all of this, Local 810 remains a proud union and has not complained or lamented about the situation we are in. Instead, we have taken these changes as they come and adjusted our efforts to address the problem. The Union has expanded its organizing efforts and the pension fund has adjusted its asset allocation in an attempt to increase assets. We have also taken advantage of the programs Congress has provided and will continue to do so. Two of the pension funds are halfway through the rehabilitation plans we have adopted and are making scheduled progress. We are also considering the possibility of benefit suspensions under the Multiemployer Pension Reform Act of 2014. While I am personally uncomfortable with reducing the monthly pension benefit of my members, an internal conflict all union trustees and officers must address, I have a fiduciary responsibility to do everything I can to help the members, and cuts now may ensure they receive some pension instead of no pension. I am also proud to report, that the Funds have experienced incredible investment returns, earning over 15% in 2017 alone and averaging over 14% over the last five-years. These returns place the Funds in the top 5% of pension funds nationwide. Unfortunately, despite all of these efforts, each fund remains in Critical and Declining status.

Through all of this, men and women across the country have continued to go to work, contribute towards their pensions and plan for their futures. After a lifetime of working towards retirement, millions of pensioners now face an uncertain financial future. Without cost of living increases and the possibility of pension cuts looming, members are forced to choose between that vacation they always promised their families they would take when they retired or whether to take their children to the doctor, pay for that expensive prescription, or put away for college tuition.

The Real Life Impact on Hardworking Men and Women

When you are far removed from the union world, it is easy to look at the pension crisis as someone else's problem. But when you live with this problem on a daily basis and see how it affects people first-hand, you realize people are terrified of the far reaching effects it has on families. Fortunately,

the three pension funds I oversee have not yet suspended vested benefits or become insolvent. As opposed to the men and women of the Road Carriers Local 707 who saw their average monthly pension benefit decrease from \$1,313 per month to \$570 per month, the men and women receiving a pension from Local 810 continue to receive their full benefits. But the members know this trend is unsustainable and they too will eventually experience a cut in benefits.

Every day I meet with members who are concerned about their pensions. They ask me if they will have a pension when they retire, if they will be able to support their families, if they are making the right decision contributing to the pension fund, and what I am doing to help ensure they receive the money they have earned. One of the most frequent questions I receive is why the Union is negotiating higher pension fund contributions at the expense of wage increases? Wage increases have an immediate impact on a member's ability to support their families, while increases in the pension fund contributions go to support a pension fund that is doomed to fail. I struggle to explain why they are forfeiting wage increases to help support a pension fund that is a few years away from insolvency, especially when many of the younger members will never realize the benefits they have worked years to receive. As a pensioner myself, I too struggle with the thought of investing in a pension I may never receive, that may never benefit my children.

The Union has also been approached by employers about creating a 401(k) plan to supplement the pensions that many members will not receive. As a Trustee of the pension funds in Critical and Declining status, I and my fellow trustees must weigh the cost of funding a supplemental retirement benefit against continuing to support a failing pension fund. With a finite number of assets, every dollar that is contributed to a 401(k) is a dollar that is not contributed to the defined-benefit pension funds. We continue to explore our options regarding the establishment of such a plan, but we struggle with the idea of throwing in the towel on a pension fund that still supports thousands of families and, if healthy, could support thousands more.

The story of Local 810 is the story of every union throughout this country.

Why We Need a Solution

One would think that a crisis effecting millions of families across the country would be the top news story every night, but you will not find it being covered on television or in the press. Even with a 24-hour news cycle you would never know there is a pension crisis looming if you weren't personally effected or know someone who is. In fact, even the formation of this Committee was attached as an afterthought to a budget deal, instead of taking center-stage.

The breadth of who this crisis impacts is enormous. These are real people. They are your grandparents, parents, brothers, sisters, children, neighbors, your children's teachers, little league coaches, and colleagues. People you interact with every single day. The other day I watched the Joint Select Committee on Solvency of Multiemployer Pension Plans Open Executive Session to Organize the Joint Select Committee and it broke my heart to see that the pension crisis was being treated as just another partisan issue. One party was strongly represented, while the other was largely absent. In a time when this country is more divided than ever, helping hardworking Americans is something everyone should be able to agree upon. These are not people looking for a handout or demanding something they are not entitled to. Instead, they are proud people simply

looking for the benefits they have spent their lifetimes earning, which are now in jeopardy because of a financial crisis they did not create. They are Republicans, they are Democrats, and they are Independents. Most importantly, they are your constituents whom you have been elected to serve.

As a representative democracy, men and women across this country elected the 535 representatives that make up the House of Representatives and Senate to represent their interests. Even though Union membership has declined in recent years, it is likely every single representative received a vote from a man or woman who will be effected by this crisis. If Congress put aside politics to examine this issue and do the right thing it would realize this crisis does not discriminate; it effects everyone the same whether you are White, Black, Hispanic, male, female, Republican, or Democrat. No one is spared. The Central States Pension Fund represents workers in traditionally Republican states such as Texas, Oklahoma, Louisiana, Mississippi, Alabama, and Arkansas; the United Mine Workers represents workers in West Virginia; and Local 810 represents workers in traditionally Democrat states such as New York, New Jersey, and Connecticut. Yet all of these people have one thing in common: they worked very hard to provide for their families and when it came time to collect, the money is not there.

Forcing these men and women to accept the Pension Benefit Guaranty Corporation guaranteed amount (which is no longer a certainty based on its projected bankruptcy) is unacceptable and is a dereliction of duty for the men and women of Congress. In the 1980s and 1990s, the government came up with the money to save the Savings and Loan Industry. In 2008, the government came up with the money to bailout Wall Street. In 2009, the government came up with the money to rescue the auto industry. Surely, in 2018 the government can come up with a solution to save the hardworking men and women whose tax dollars funded these three bailouts. As opposed to those crises, which affected corporations, this crisis effects real people. In 2018, the banks that were largely blamed for the Great Recession are more profitable than ever. The auto industry, which was on the verge of collapse, is once again profitable. I am not raising these bailouts to lament the saving of the banks or the auto industry, but to show that with a little help from the government, these pension funds can once again thrive and provide a dignified retirement to millions of deserving families. All they need is a little helping hand. YOUR HELP!

Among the most important purposes of a government is to promote the general welfare of the people. I can think of no greater purpose than helping to honor the promise of retirement that millions of people have worked for and relied upon in raising their families. Every year Congress determines how to allocate over \$3 trillion in spending. Surely Congress can find the money necessary to help millions of families across the country, a tangible benefit with an immediate impact. This money isn't being spent overseas or on some distant agenda, it is being spent right here at home and will be reinvested in the economy as retirees purchase goods and services in America.

These men and women are not asking for a handout or for a bailout, they simply want what they have earned. They have spent the entirety of their working lives building its infrastructure; laying concrete; painting and plastering; operating its boilers; plumbing and pipefitting; teaching; and delivering goods. They have never asked for anything from their government, and now in their time of need they are asking for the same respect the government shows its corporations.

The only thing standing between 1.5 million retirees and an uncertain financial future is the bipartisan congressional committee's solution. I urge you to please come up with a solution that does not result in the loss of retirement savings to the backbone of this country who simply want the dignity of retirement.

I look forward to discussing this important issue with the Committee at the next hearing should the Committee grant my request to appear as a witness. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Smith", written in a cursive style.

Michael Smith

President, Local 810

International Brotherhood of Teamsters,

Chairperson of the Board of Trustees of the

United Wire, Metal and Machine Pension Fund,

Chairperson of the Board of Trustees of the

Local 810 Affiliated Pension Fund, and

Chairperson of the Board of Trustees of the

Local 805 Pension Fund