Pensions&Investments

August 01, 2023 01:31 PM

Pension benefits at Yellow Corp. secured by Teamsters fund bailout this year

ROB KOZLOWSKI

28: Yellow Corp. box trailers si

Yellow Corp. has ceased operations, and while employees will still take home their pension benefits, those benefits remain reduced from earlier troubles.

Trucking company Yellow Corp., Nashville, Tenn., has ceased operations and will be filing for bankruptcy, and while union employees will still take home their pension benefits, the company's protracted downward spiral means those benefits remain reduced despite a U.S. government bailout of their union pension fund earlier this year.

Yellow had about 10,500 active employees participating in the Teamsters Central States, Southeast & Southwest Areas Pension Fund, Chicago, said a spokesman for the union pension fund in an email Monday.

RELATED ARTICLE

Teamsters may put brakes on Yellow trucking after missed pension contribution

Eight days after the beleaguered trucking company announced the financial necessity of suspending contributions to the pension fund and missed a $50 million payment on July 15, the board of trustees of the Central States pension fund voted to terminate Yellow's participation in the pension fund. That termination resulted in the freezing of participants' benefit accruals.

Before that action, the pension fund had filed a lawsuit on July 19 in U.S. District Court in Chicago seeking to collect about $8.6 million in missed pension contributions (and $41 million owed to the Central States Health Fund). The Central States spokesman in his email said that action will likely be stayed when the company files its bankruptcy petition and that the pension fund and health fund will have priority claim in the bankruptcy proceedings.

"However, the prospects of recovering any of the missed delinquent contributions is uncertain," the spokesman said.

What does this mean for the thousands of union employees who have just lost their jobs?

For one thing, the American Rescue Plan Act of 2021 protected their existing benefits by shoring up the Central States pension fund. In December, President Joe Biden announced the Pension Benefit Guaranty Corp. had approved a bailout of $36 billion for the pension fund under the Special Financial Assistance Program. It represented a significant chunk of the total cost of the program, which the PBGC had estimated would range from $74 billion to $91 billion.

Created by the American Rescue Plan Act that Democrats passed in March 2021, the program was designed to shore up struggling multiemployer pension plans through 2051.

The Central States website now proclaims the pension fund has a funding ratio of 97.5% following the Jan. 12 receipt of the SFA contribution. Previously, the pension fund had a funding ratio of 18% with $57.2 billion in projected benefit obligations as of Jan. 1, 2021, according to the plan's most recent Form 5500 filing. As of Dec. 31, 2021, the plan had just $10.1 billion in assets, the filing showed.

Yellow Corp. (which was YRC Worldwide before 2021) has been under severe financial distress since the Great Recession in early 2009 when the firm was unable to make its required contributions to the Central States pension fund. At the time, the pension fund entered into a contribution deferral agreement with the company, which involved terminating YRC from the pension fund on July 9, 2009, and re-entering it as a participating employer on Jan. 1, 2011. As a result of the restructuring of the contribution schedule — in addition to nearly two years of receiving no contribution at all — the Central States Pension fund estimated they would receive a total of $1.3 billion less in pension contributions until 2015 than previously mandated under the collective bargaining agreement set to expire that year.

"In light of this drastic reduction in the pension contributions, the restructuring plan recognized that benefit reductions for the YRCW participants would be required," said Thomas C. Nyhan, then-executive director of the pension fund, in a March 2011 letter to unions with YRCW participants.

Thanks to the bailout of Central States earlier this year, Yellow participants can rest knowing their existing benefits are safe, although ARPA and PBGC regulations prohibit their pre-2011 benefits from being restored.

Michael A. Schloss, counsel at law firm The Wagner Group, said in a phone interview that Central States really avoided a catastrophe through the bailout earlier this year.

Mr. Schloss was previously director of the office of enforcement at the Department of Labor's Employee Benefits Security Administration, and for years was the DOL's liaison for the Central States federal consent decree. That decree was ordered in 1982 after Central States trustees were accused of fiduciary breaches and the plan was less than 50% funded. The decree lasted for more than four decades until it was ended in June following the PBGC bailout.

Mr. Schloss said without that bailout, the Central States pension fund would have disappeared in probably eight years.

"There was no money at the PBGC to provide even the guaranteed benefit for any amount of time, even a few months," Mr. Schloss said, and it "would have been a disaster. It would have been such a hard landing. You would have had hundreds of thousands of retirees and families without any retirement benefits."

"The bailout really did avert catastrophe," said Mr. Schloss. "The only question now is: Does this open the door, since we know you can look at various states and municipalities that are also exhibiting the same problem, (that) they can not afford for long the pensions that they promised."

RELATED ARTICLE

PBGC approves supplemental assistance for Teamsters pension plan

Biden announces $36 billion in federal aid for struggling Central States Teamsters plan

---

Inline Play

Source URL: