

October 1, 2007

Teamsters and U.P.S. Reach Deal on Pensions

By [STEVEN GREENHOUSE](#)

Correction Appended

The [International Brotherhood of Teamsters](#) announced last night that it had reached a tentative five-year contract with the [United Parcel Service](#) that calls for sweeping changes in the pension plan for many workers.

Under the accord, which covers 238,000 drivers and other workers, U.P.S. would be allowed to withdraw from the Central States pension plan, which was notorious for corruption in the 1960s and 1970s, but is now known for being underfunded.

Union and company officials hailed the agreement, saying it would help protect the pensions of the 44,000 active U.P.S. employees in the plan. Because of underfunding, the trustees in that multiemployer plan have reduced pension payments to retirees since 2003.

The two sides sought to negotiate a deal before Jan. 1, when the federal government is to begin enforcing new pension rules with regard to multiemployer plans, a move that might mean further cuts in pension payouts under the plan.

The Teamsters' contract with United Parcel Service is due to expire next July 31, but in an unusual move, the two sides rushed to negotiate a deal by Oct. 1 to give the members time to

ratify it well before Jan. 1.

[James P. Hoffa](#), the union president said, “We met that deadline and have negotiated an agreement that will greatly benefit our members at U.P.S. as well as Teamster members in other industries covered by pension and health and welfare funds.”

The deal is part of a wave of corporate efforts, including the recent [General Motors](#) deal, to revamp pension and health care obligations.

Unhappy with the high annual expenses of paying into the Central States plan, U.P.S. obtained the blessing of the union and the pension trustees to withdraw, but to do so it must first pay \$6.1 billion to shore up the plan.

Actuaries estimate that the plan is underfunded by 49 percent, and with the \$6.1 billion contribution, will remain 30 percent underfunded.

As part of the agreement, the company and the union will set up a new jointly administered plan for the 44,000 U.P.S. workers in the plan. Union officials said the U.P.S. move would ultimately result in larger pensions for those 44,000 employees.

By withdrawing from the plan, U.P.S. expects to save money. It paid \$1.4 billion into its 21 Teamster pension plans last year.

“This agreement will allow us to remain competitive in a challenging marketplace,” said Mike Eskew, the chairman of United Parcel Service. About 380,000 current workers and retirees from U.P.S. and other companies belong to the Central States plan. U.P.S. belongs to 20 additional multiemployer plans.

The Central States plan was restored to health under a trusteeship in the 1980s after mob corruption helped deplete the fund in the 1960s and 1970s. But assets sank in 2003 because its Wall Street advisers had invested poorly in volatile stocks.

Ken Hall, director of the Teamsters' U.P.S. division, hailed yesterday's agreement, saying it would provide a total of \$9 an hour in wage and benefit increases per worker on average over the life of the five-year accord. Mr. Hall declined to say what the percentage wage increases would be.

He said U.P.S. drivers earn \$28 an hour, which, with overtime, generally amounts to \$75,000 a year. With health benefits, pension benefits and other benefits included, he said, their compensation totals \$40 an hour.

"It's a great deal," Mr. Hall said. "Our members wanted us to put more money into benefits instead of wages, and we've accomplished that."

When the Teamsters went on strike against U.P.S. for 15 days in 1997, one issue was the company's demand to be able to withdraw from the Central States plan.

The two companies reached a separate contract for 125 workers at the Indianapolis terminal in the U.P.S. freight division, which was formerly the Overnite Transportation Company. It is the first contract the Teamsters have had with the division. The Teamsters had spent years trying to unionize Overnite, and were battered in a losing strike against Overnite that lasted from 1999 to 2002.

Correction: October 2, 2007

An article yesterday about a tentative contract between the Teamsters and United Parcel Service referred incorrectly to the money the company put into a pension plan last year. The amount, \$1.4 billion, was its contribution to all 21 of its Teamster pension plans, not just the Central States plan.

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