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Breaking New Ground: Pension Fund Bargaining at Eastern

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Breaking New Ground: Pension Fund Bargaining at Eastern

Abstract

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Thus, it is crucial that unions begin to develop new tools to enhance the economic power of workers. This means that labor must redefine its role with respect to the economy and to the process of allocating resources in the society. Increasingly, unions are demanding plant closing protections, a voice in the introduction of new technologies, restrictions on subcontracting, commitments for reinvestment in existing facilities, and job security for current workers.

Keywords

labor movement, collective bargaining, Eastern, pension

Breaking New Ground: Pension Fund Bargaining at Eastern

by Randy Barber

Traditionally, unions have exercised their economic power through the strike and the boycott to gain collective bargaining agreements and through the day-to-day enforcement of contract provisions. But the rapidly growing mobility of capital and the increased rate of introducing new technologies have increasingly neutralized the effectiveness of labor's fundamental tools.

Thus, it is crucial that unions begin to develop new tools to enhance the economic power of workers. This means that labor must redefine its role with respect to the economy and to the process of allocating resources in the society. Increasingly, unions are demanding plant closing protections, a voice in the introduction of new technologies, restrictions on subcontracting, commitments for reinvestment in existing facilities, and job security for current workers.

These and other demands are crucial for the protection of workers and their families. But they are far from enough. If labor is to effectively promote the economic power of workers, it must become directly involved in an area which has always been defined as a management or corporate prerogative: the process of making investment decisions. Otherwise, companies will always be able to undermine any gains workers make simply by moving away from them or replacing them—to say nothing of their ability to resist worker demands in the first place.

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Workers have a potential tool which could allow them to force their way into the investment decision-making process: the pension fund.

Late in 1983, the total value of pension funds will top \$1 trillion. Collectively, they represent the largest pool of capital—or money—in the world. Pension funds are the *deferred wages* of 50 million American workers, and they are the major form of personal savings for most of those workers. They own between 20 and 25 percent of corporate stock and 40 percent of corporate bonds. Pension funds will inject almost 100 billion new dollars into the economy this year—that represents about one-third of all the new investments that will be made. Most experts predict that these massive funds will own over half of all corporate stock by the turn of the century and will be by far the most powerful financial institution in the world.

There are three general categories of pension funds: public employee funds for state and local government workers; single-employer funds for workers mostly in manufacturing, service, high technology and utility firms; and multi-employer funds for workers in such industries as construction, transportation, retail, textile and clothing, and mining. Unions have joint control with management in the multi-employer funds. Unions often have some form of representation on public employee fund boards of trustees, although this varies widely, even within the same state or locality. With few exceptions, however, unions have no voice in the administration and investment of negotiated, single-employer funds. Public employee funds have assets in excess of \$300 billion. Jointly controlled funds have over \$75 billion, and single-employer funds have more than \$625 billion. Over half of the single-employer funds, in terms of assets, are subject to collective bargaining, but companies normally insist on retaining all aspects of the control of these funds.

Whether or not there is union representation on their boards of trustees, most pension funds turn their assets over to financial institutions such as banks, insurance companies or independent money managers. These managers usually invest pension assets in the stocks and bonds of the largest corporations and in those newer "high tech" companies which, it is hoped, will become the "IBMs of the future." Although professional pension fund managers are paid large fees for their investment services, they have consistently underperformed the broad market averages.

Over the past half dozen years, unions and others have become increasingly aware of the incredible economic power that resides in workers' pension funds. They have learned that pension funds not only receive mediocre returns at best, but that they also invest heavily

in anti-union companies, in multinational corporations that are exporting jobs and production to low-wages areas in the country and abroad, and in many other ways which undermine the current economic interests of workers.

Many union bodies—from the local to the national level—have adopted resolutions calling for increased labor control over the investments of these funds. The AFL-CIO Executive Council, in 1980, established four broad policy goals for union participation in pension fund management.

- 1) "To increase employment through reindustrialization including manufacturing, construction, transportation, maritime and other sectors necessary to revitalize the economy.
- 2) "To advance social purposes such as workers' housing and health centers.
- 3) "To improve the ability of workers to exercise their rights as shareholders in a coordinated fashion.
- 4) "To exclude from union pension plan investment portfolios of companies whose policies are hostile to workers' rights."

In that same years, the AFL-CIO's Industrial Union Department (IUD) issued a series of recommendations for unions to pursue in negotiations for joint control of pension funds. These recommendations included a list of information and documents which unions should demand. They also outlined a range of alternatives short of joint control which, while not sufficient, could give unions greater leverage with the investment and administration of negotiated funds. The following year, the IUD began publishing a monthly newsletter, *Labor & Investments*, to assist unions in the task of gaining greater control over pension funds and to report on major developments in the area. This publication is available to all union members whose organizations are affiliated with the IUD.

Also during 1980, the AFL-CIO Building and Contrcution Trades Department (BCTD) began a series of training and education programs for the pension fund trustees of its affiliates. These unions are almost exclusively involved in jointly controlled pension funds. The focus of these programs was quite specific: how can trustees of these funds legally invest in union-built structures, the construction of which will provide jobs to member-participants? There are

dozens of examples throughout the country of how construction-related pension funds have made such investments, and the BCTD's on-going training program is designed to make other trustees aware of them.

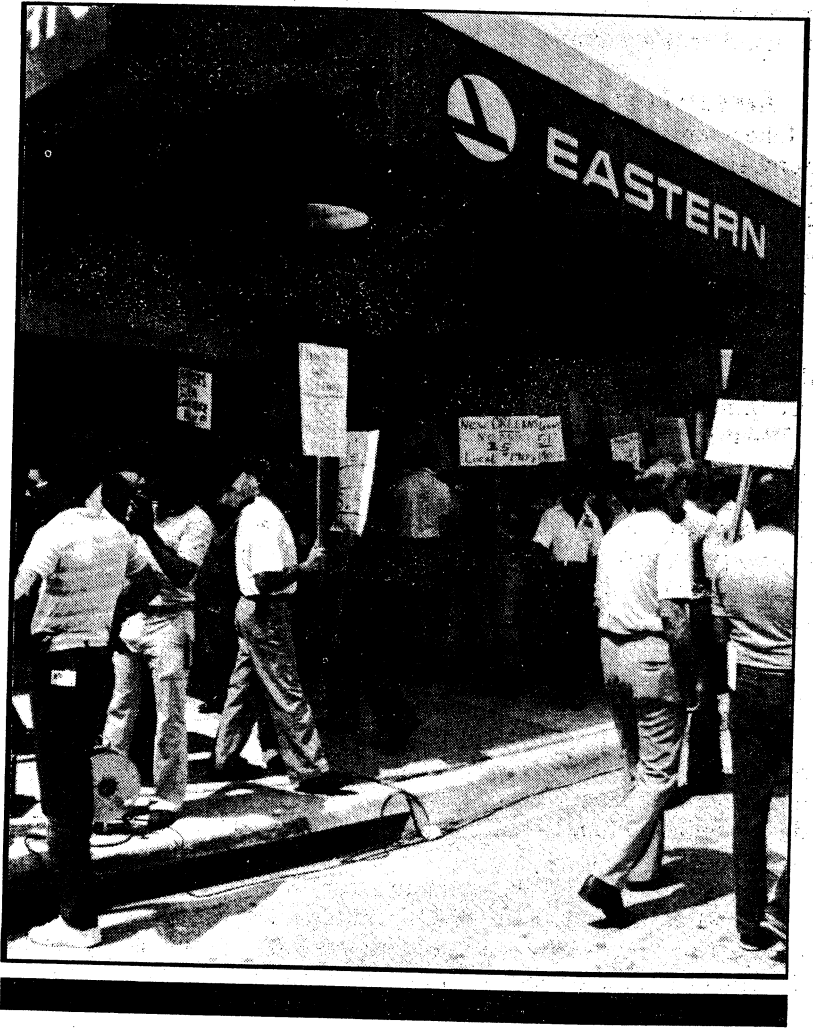
A growing number of local to international unions and their related pension funds have begun their own investment programs, usually concentrating on ways to stabilize employment in their industry. To date, this has primarily involved the construction and maritime industries, but there are unions in several other industries which are exploring new job-creating investment ideas.

Unions have also become aware of the potential uses of pension funds in another way: to exert pressure on corporations and their financial supporters. Pension funds, which together often own as much as half the stock of a company, can be a potent tool in convincing corporations to deal fairly with their workers.

Many public employee pension funds have begun to make "targeted" investments for housing and employment in their localities. During 1982, public funds made at least \$2 billion in such investments. Recently, representatives from public employee funds and from jointly-trusted funds have, in several states, started to discuss cooperative efforts to increase the amount of pension capital that is "recycled" into the communities where pension participants live and work. Public employee funds have also been increasingly supportive of activist-sponsored shareholder resolutions, including union-supported resolutions designed to put pressure on companies with labor disputes.

In spite of many encouraging developments in the alternative investment of pension funds, the priority for most workers and their unions must first be to gain some measure of control. Without that control, and responsibility, very little can be done to alter the ways in which pension funds are currently being invested.

Further, as we will see in the case of Eastern Air Lines, there are many issues beyond investments which make it important for unions to demand joint control of pension funds. In almost all single employer funds (as well as in most public funds), the employer unilaterally controls the benefit administration, the accounting and bookkeeping, and many crucial assumptions that are used to determine the amount that companies must contribute to funds each year. Many troubled corporations have used this control to manipulate their funds in such a way as to significantly reduce their contributions. There is also a growing trend of companies "terminating" pension plans and taking back large sums which they claim are



"excess assets." Corporations have used pension plans to help fend off takeover attempts or to buy company stock for one reason or another.

In the following sections, this article will describe a process that led to partially successful demands for joint control of one pension fund at Eastern. The reader should keep in mind that there were many, intertwined factors that contributed both to the IAM's interest

in more control over their fund and to their ability to make a serious demand on the company.

Researching the Fund and Demanding Information

Like many large corporations, Eastern Air Lines "sponsors" a number of separate pension plans for different categories of workers. EAL maintains thirteen plans, with cumulative assets in excess of \$1 billion. Until 1982, these funds were "comingled"—all of their assets were kept together in one pool—and managed by Prudential Life Insurance Company and Equitable Life Assurance Society, two of the largest pension managers in the world.

IAM District 100 negotiates with Eastern over several plans, by far the largest of which is the \$160 million plan for Mechanic and Related Personnel.

The union began seriously researching the Eastern fund more than a year before the expiration of the contract on December 31, 1981. Marty Urra, who would soon become president of Local Lodge 702 in Miami, conducted the initial research. Urra was initially concerned over reports that the Eastern fund was receiving a poor return on its investments, that the companies managing the fund had poor relations with unions, and that the benefit formula for the plan was not as generous as it could be.

Urra was outraged when he learned that Prudential, which manages the bulk of the Eastern funds, had financed the construction of the new National Right-to-Work Committee headquarters building. Since the Machinists had no control over the selection of investment managers, Urra knew that there was nothing he could do immediately. But he decided to begin an in-depth examination of the Eastern funds.

Urra obtained, from the company, copies of a required annual federal filing, known as the "5500 Form," for all of Eastern's pension funds. This form, along with voluminous attachments, is a public document and can be obtained independently from the U.S. Department of Labor (Office of Plant Reports and Disclosure, Labor-Management Services Administration). It contains a wealth of detailed information about a plan's investment and administration.

Soon after beginning his research, Urra learned of press reports that Eastern had manipulated a key calculation used to determine the contributions it would have to make to its pension plans. This calculation is known as the "actuarial interest assumption." This assumption establishes the rate of return that it is anticipated the pension fund will receive on its investments *in the future*. This is

a crucial assumption.

The more a fund's assets earn, the less a company has to contribute or the more benefit levels can be increased. On the other hand, if it is assumed that a fund will have relatively low earnings, the company must contribute more in order to fund the same level of benefits. While they obviously do not guarantee any particular rate of return, interest assumptions are the linch-pin in determining the contributions which are required to ensure that a pension plan is funded on an actuarially sound basis.

In early 1981, EAL changed its interest assumptions from 7 percent to 9 percent, at a time when the company was under heavy financial pressure. In analyzing company documents, Urrea found that the interest assumption change had saved Eastern more than \$23 million for 1981 alone.

Further, Urrea found that while Eastern contributed about \$14 million in 1980 for the IAM plan, or over \$1,000 per active employee, in 1981 the company contributed only \$8.5 million, or about \$650 per active worker. With the stroke of a pen, Eastern saved itself millions of dollars in benefit payments even though the Machinists had negotiated benefit levels on the basis of the total pension costs to the company. According to the union, it gave up other potential benefits in exchange for pension benefit increases on the basis of the 7 percent interest calculation.

The union not only felt betrayed, it became even more suspicious of Eastern's stewardship of their negotiated deferred wages. Urrea, who by then had become president of Local Lodge 702, was asked by District 100 president Charles Bryan to form a research committee to help prepare for the impending negotiations.

In August 1981, Bryan formally requested a large number of pension-related documents from Eastern as part of its demands for bargaining information. Under labor law, companies are required to supply unions with this information. Among the documents requested were:

- the most recent filing of Eastern's 5500 Form, all supporting material and Form 5500B, which contains detailed actuarial information and records of contributions to the fund;
- the latest financial and investment performance reports provided by the fund's investment managers, covering the previous five years;
- all contracts with the investment managers;

- all correspondence among the fund, its investment managers and fund consultants;
- investment performance comparisons conducted by independent evaluation services;
- reports from the fund's actuaries and accounting firms; and
- all internal Eastern correspondence relating to the investment and administration of the fund.

For the most part, Eastern complied with this request, and Urra began wading through a foot-thick pile of documents. No sooner had he started this process than he noticed another alarming action the company had taken. During 1980, Eastern had "reallocated" over \$4 million in assets from the Machinists' and other plans into those of the pilots and one other. This was particularly disturbing since the pilots' plan was, according to EAL's own documents, substantially better funded than the IAM plan. Later the company would claim that this reallocation was completely legal and was done for tax purposes, producing no real impact on any of the plans. Whatever the reason, more seeds of suspicion were sown among the Machinists. Combined with the growing distrust of Eastern's financial manipulations engendered by the VEP, this convinced the union that it was crucial to secure a role in the investment and administration of their negotiated plan.

Moreover, Urra and his research team were convinced that they could do at least as good a job of investing and administering the fund as Eastern had. "We have a \$400 million credit union right across the street from our local," says Urra. "For a number of years, IAM members have been deeply involved in managing our credit union and we have become convinced that we can prudently become involved in managing our pension money as well. Good financial management is really no mystery, and we know that we can do a good job."

The Initial Demands for Joint Control

In December 1981, the IAM negotiating committee had a five-hour session with Eastern at which it presented a demand for joint control of the Mechanics and Related Fund. The union's proposal included a 12-point plan detailing how a new jointly-administered plan would be established and managed. In addition, it contained two demands for investment-related benefits for participants in the plan. The major provisions of the IAM demand included:

- The establishment of a completely separate IAM- Eastern Joint Pension Plan "for the purposes of administration, investment and the provision of benefits."
- Three union and three company trustees, each side casting one aggregate vote, on a Board of Trustees which "shall have the final authority to make all determinations about the eligibility for benefits, investment managers and other factors relating to the operation of the plan." Included in this authority would be the right to establish or change any assumption or procedure and the right to "select, approve, terminate or replace" any investment manager or consultant.
- The offices of the fund would be maintained separately from those of the union or the company, with a fund administrator appointed jointly by the trustees. In addition, each side would have the right to hire an assistant administrator who would be solely responsible to that side and who would have access to all information concerning the plan.
- Arbitration in the event of a deadlock or the inability of the Board of Trustees to reach a decision.
- Joint actuaries, one appointed by the union trustees and one appointed by the company trustees. The actuaries together would be required to "make recommendations to the trustees on all actuarial issues affecting the plan, including, but not being limited to, interest assumptions, wage and salary assumptions, and required employer contributions for the plan year." In the event that the joint actuaries could not reach an agreement, a third actuary, acceptable to both sides, would be retained to reach a final decision.
- As a one-time measure, at the creation of the separated plan, the union trustees would have the right to decide whether to retain or dismiss current investment managers. If they decided to dismiss them, the selection of new managers would be performed by the entire board.
- Also as a one-time measure, the union trustees would be empowered to retain an independent investment advisor to review the current investment managers and all investment procedures of the fund.

- The establishment of a stockvoting committee to explore the practices of current investment managers and to discuss the pass-through of stock voting rights of plan holdings.
- The dedication of at least 25 percent of new contributions and investment income into the plan “for loans to plan participants and beneficiaries for mortgages, home improvement loans, consumer and automobile loans and so forth.” Consideration would be given to having the Eastern Air Lines Employees Federal Credit Union perform the lending paperwork functions for the pension plan.
- Offering to retirees the “option of guaranteed lifetime housing in lieu of a portion of cash benefits.” This would be accomplished by having the plan construct housing units for this purpose and calculating its cost on an actuarial basis for offering the option. Such a cost, spread over the expected lifetime of retirees, would be deducted from cash payments, if a retiree chose the option.

The IAM proposals were designed to guarantee that a new jointly-trusted pension fund would be in fact jointly controlled. One of the major problems union trustees have is that they are not trained in benefit administration and investment procedures. Thus, it is not unusual to find either the professional staff or the management trustees dominating funds on which union representatives serve. By separating the plan, moving it away from Eastern headquarters, creating an independent fund staff, giving the union trustees their own assistant administrator, and allowing them to independently examine the *status quo* for the plan, the union hoped to achieve an effective and equal voice on the board of trustees.

Eastern’s response to the proposal was one of disbelief. After reading the three-page series of demands, the lead Eastern negotiator called for a caucus. Returning in about a half an hour, the EAL negotiators laboriously moved through the elements of the proposal, obviously attempting to intimidate the union team with highly technical comments and questions. To their surprise the Eastern team found the union knew at least as much about the fund as they did. Urra and several others were not only able to respond to company queries, they were also able to ask some pretty tough questions themselves.

At one point, an Eastern negotiator asked if it was legal for the union to have joint control. Someone on the union team responded: "Not only is it legal and common in many industries, but Taft-Hartley's requirement that union representation be limited to, at most, one half of the trustees doesn't apply to the airline industry, which is under the Railway Labor Act. Under the law, the IAM could completely control this fund, but we thought we'd come in with a moderate demand this time."

Last Minute Pension Proposals and New Contract Language

Over the next year, as negotiations dragged on, little progress was made on bargaining over control of the pension fund. Then, in early 1983, Eastern dropped another pension-related bombshell: it disclosed to the union that, *as of December 31, 1981*, it had "uncommingled" the pension funds it maintains and was operating them as completely separate plans with individual asset pools. "I was dumbfounded," commented District 100 president Bryan. "Here it was, February 1983, and the company was finally getting around to telling us that it had separated the plans more than a year before. In fact, the letter from the actuaries to Eastern meekly suggested that 'at some point, I.A.M. and other groups must be told about uncommingling.'"

Bryan says that he and the negotiating committee were not displeased that the funds had been uncommingled. "Frankly, uncommingling was a precondition to joint control or even partial control of the fund. But the way the company carried it out—secretly and without informing us—was just another reason for us to press for a role in investing and administering our plan," he says. "With the funds uncommingled," he continues, "we felt we had a good shot at some sort of increased involvement in the plan."

On the day that Eastern and the union reached a contract agreement, hours short of a strike deadline, the company agreed, in principle, to two union trustees and to the creation of a board of trustees for the IAM plan. Unfortunately, while the union presented "ready-to-sign" contract language, the final details of the agreement were put off until later, when several technical points in the contract were to be ironed out. Several key pension issues were left unresolved, including the total number of trustees, the actual powers of the board, and the authority of individual trustees.

The language the union presented was, in fact, a formalization of major elements in its earlier joint control proposal. It contained five sections which would accomplish the following:

- **Section I.** The Composition and Operation of the Pension Board: There would be four trustees, two from each side. The trustees would vote individually and three votes would be required to carry a motion.



- **Section II.** The Powers of the Board: The board would be given full authority over the administration and investment of the fund, except that it could not alter any terms of the plan determined through collective bargaining.
- **Section III.** The Rights and Duties of the Board: This section repeats, in more detail, the complete authority of the board, including the selection or removal of all consultants, advisors, investment managers and actuaries.
- **Section IV.** Dispute Resolution: In the event of a deadlock, mediation and then arbitration would be invoked.
- **Section V.** Modification of Plan Documents: This section requires Eastern to file the appropriate modifications of the pension plan's legal trust documents, as required (with the Internal Revenue Service and the U.S. Department of Labor).

In the weeks following the settlement, it became clear that Eastern had no intention of agreeing to full joint control of the fund. As an alternative, the union then proposed a "permanent neutral trustee," who would serve as a tie-breaker. But this too was rejected. The company, while acknowledging that it had agreed to two union trustees, demanded that there be a total of seven trustees, giving the company a five-to-two edge. Since it was clear that full joint control was not going to be achieved, the union held out for a total of five trustees.

The Tentative IAM-Eastern Pension Agreement: Strengths and Weaknesses

After months of stalling, Eastern finally presented the union with its proposed contract language for a "pension trust committee," comprised of five "members." The trust committee, which is essentially the same thing as a board of trustees, was given many of the same powers as proposed by the IAM.

However, there were some significant exceptions. Beyond the three-to-two split in favor of the company, the major difference lies in the continued role given to Eastern directly, as opposed to Eastern through its committee members, or trustees. The company is still empowered to enter into written agreements for investment and other services, *subject to the approval of the trust committee*. In addition, the lawyers, accountants, actuaries and other professional advisors for the plan will continue to be employees of Eastern, not of the trust

directly. Although the trust committee does have the final fiduciary powers and responsibilities, the power to initiate actions and enter into agreements is shared with the company. While this may be a fine legal—as well as practical—distinction, it detracts from the concept that the fund should be autonomous from the company, even if Eastern appointees dominate the trust committee.

At this writing, the IAM has yet to respond to the proposed language, and subsequent events may significantly alter the final outcome. However, Eastern's proposed language is likely to be implemented in other companies as a "halfway" measure towards joint control of pension funds. Because of this, it is valuable to examine what Eastern agreed to.

Below is a summary of the major points in the company's proposed language. Comments in italics are the author's observations on the strengths and weaknesses of various provisions:

- The Pension Trust Committee will have five members, three appointed by Eastern and two by the union. Eastern and the union may replace or substitute any of the members at any time. Each side will be responsible for payment of travel and other expenses incurred by trust committee members. *Obviously, the three-to-two split will place the union members in the position of a permanent minority. They will, however, have access to much more information than they ever had before, and will much more completely understand all moves made with respect to the investment and administration of the fund. This observer believes that reimbursement of trust committee members should come from the fund, not from the respective sides. Clearly, Eastern is much more able to reimburse its members than is the union. Many pension funds pay the expenses of their trustees out of assets; this would amount to an extremely small sum in comparison with the \$160 million for which the trust committee is responsible.*
- "For administrative convenience only," the committee will select a Chair and Vice Chair, one from Eastern and one from the union. A majority of the members that includes at least one union member will constitute a quorum. *Clearly, the Chair can be expected to be from the company, which gives it the advantage of being able to call meetings, set agendas, and control the flow of information. However,*

the trust committee will not be able to meet or carry out any formal business without the presence of at least one of the union members.

- The assets of the plan will be held by a custodian—or master trustee—which will be a nationally-recognized bank, “pursuant to written trust agreement with Eastern approved by the Committee.” The plan’s assets will be delegated to one or more investment managers, employed, again, “pursuant to written agreements with Eastern approved by the Committee.” However, the committee will have the power to “select, appoint, remove and replace the investment managers. . .in accordance with such procedures and standards as the Committee may establish.” Further, the trust committee will be able to establish investment guidelines, and allocate assets among the investment managers. The committee may not directly manage or invest plan assets; it must turn them over to investment managers for such tasks. *The trust committee is given the basic responsibilities and powers of a standard board of trustees, with the exception that Eastern can enter into written agreements, which the committee can either approve or reject. While the union will clearly not be able to have its way with respect to investments, the precedent has been set at Eastern for a formally (at least) independent pension trust committee.*
- The committee will be empowered to “request and receive from Eastern, the Union, its members, any trustee and any investment manager such information as may be needful in the performance of the Committee’s duties.” The committee will be entitled to receive and rely upon the advice given by pension and other professionals in the employ of Eastern. Further, the committee may “employ its own professional advisors and consultants, such as, but not limited to, actuaries, accountants and legal counsel. The cost of any such outside advisors or consultants shall be born equally by Eastern and the Union.” And the committee will make recommendations to the company and the union for improvement of the plan. *While the committee is given broad powers to obtain information, it will be quite dependent on the company for this information, as well as the interpretation of it.*

Also, it is not clear what types of information the union committee members can demand without the approval of the Eastern members. Further, by having the cost of outside consultants and advisors equally borne by Eastern and the IAM, the union is placed in yet another potential financial bind with respect to adequate oversight of the fund. Normally, such costs are borne by a plan as part of its normal operational expenses.

It would be easy to second-guess the pension negotiation process between EAL and the Machinists. Clearly, the fact that the agreement was not set in contractual concrete at the time the overall agreement was reached significantly reduced the leverage the union had. But it was only on the very last day of bargaining that the company indicated a willingness to concede anything, and the pressure for finalizing the main agreement was overwhelming.

Although there appeared to be strong support from the rank- and-file for the joint control demand, it was obviously not the central issue. The momentum of collective bargaining militated against holding out for a finalized pension trust agreement.

It is quite clear, however, that IAM District 100 accomplished a major task: by getting a "foot in the door" of the trust committee, it established a precedent for further negotiations at Eastern. The IAM had also set a pattern which can be used by other unions in negotiations over joint control.

Conclusion

It is both easy and extremely difficult to draw general conclusions from the Machinists' experience at Eastern. The most important general conclusion relates to the central importance of advance preparation and in-depth research. Without a thorough understanding of the plan, the union might not have been able to take advantage of the information it uncovered concerning company manipulation of the fund.

The research team, which was drawn both from officers and the rank-and-file, was able to develop impressive skills in a relatively short time. And they were able to communicate their findings to a large number of union members, the media, and, importantly, to Eastern itself. It is clear that the IAM's research and education efforts were key to the union's ability to effectively deal with Eastern on all levels. While consultants were used, the research team did most of

the work itself, and the membership was regularly informed of the team's progress.

The most important lesson for this author from the pension research and bargaining at Eastern is this: the administration and investment of a fund is completely intertwined. If negotiators ignore any element of a company's control over a pension fund, they will not see the whole picture, and they will probably not be as effective as they could be in responding to company assertions.

Control over investments is a new, and important, direction for labor. But control over the administration of benefits and over the funding of a plan is equally important. The IAM was concerned with the entire operation of their negotiated fund, and were, thus, able to achieve much more than any of us who were initially involved would have predicted. Negotiations of this sort require a long-term view; the benefits of joint control will not be immediately felt and they will not translate directly into workers' paychecks. Further, it will probably take several rounds of bargaining to secure equal control of these funds, even if the union makes it a major priority. Companies are not likely to easily give up control of assets which are often as large as the net worth of the corporation itself.

There is a real question, as well, whether joint control should even be an issue in bargaining: since Taft-Hartley requires unions to give management at least joint control, why shouldn't joint control be mandated for *all* funds? By law, pension fund assets represent the deferred wages of participants and beneficiaries; they do not belong to the sponsoring employer. But, as we have seen, in the majority of cases, the sponsor controls the trust unilaterally, even though the assets of the fund typically represent the largest form of savings the participant "owns."

At the very least, participants or their representative should have a legal right to an equal voice on their pension fund's board of trustees. Recognizing that there is a broad diversity of arrangements with pension and other benefit plans, Congress could enact a law that would be flexible, allowing for a range of options depending on the situation. Where a single union has negotiated a plan with an employer, the employer could appoint half of the trustees and the union could either appoint or elect the other half. Where several unions are involved, a procedure could be devised where, proportional to their membership covered by the plan, they would among themselves designate or elect the employee trustees. Where no union exists, a simple, periodic election procedure could be established to allow participants to select their representatives for

pension fund boards of trustees.

It will clearly be years, if ever, before such legislation is enacted. In the meantime, unions will have to negotiate for more control. However difficult such negotiations may be, they are an absolutely vital precondition for unions to effectively represent the interests of their members. And, as the IAM learned, the very fact that they aggressively pursued this strategy gave them new insights into the operation of the company and allowed them to develop yet another tool to keep the company off balance and on the defensive.

Joint control of pension funds is not a solution to the many problems that beset labor, but it can provide unions with an incredibly powerful new tool. Not insignificantly, it can also help provide union negotiators with a more in-depth understanding of the range of financial manipulations in which corporations are engaged.

Even when a substantial portion of the \$1 trillion in pension assets is brought under effective joint union control, the real challenge will lie ahead. At that point, labor will have to seriously ask the question: How should the deferred wages of workers really be invested? What role can and should unions play in ensuring that these assets are properly invested?

The answers to these questions will inevitably carry unions far beyond issues of hours and working conditions. The real challenge will be to continue these fundamental union functions while, at the same time, effectively pursuing new directions that take labor deep into the heart of traditional management territory. □

