

Trends in Retirement Bargaining: What Do (Young) Workers Want?



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Today's Agenda

- Background & retirement trends
- What do younger workers want?
Examples from recent IAM negotiations
- Negotiating better DC plans
- Q&A

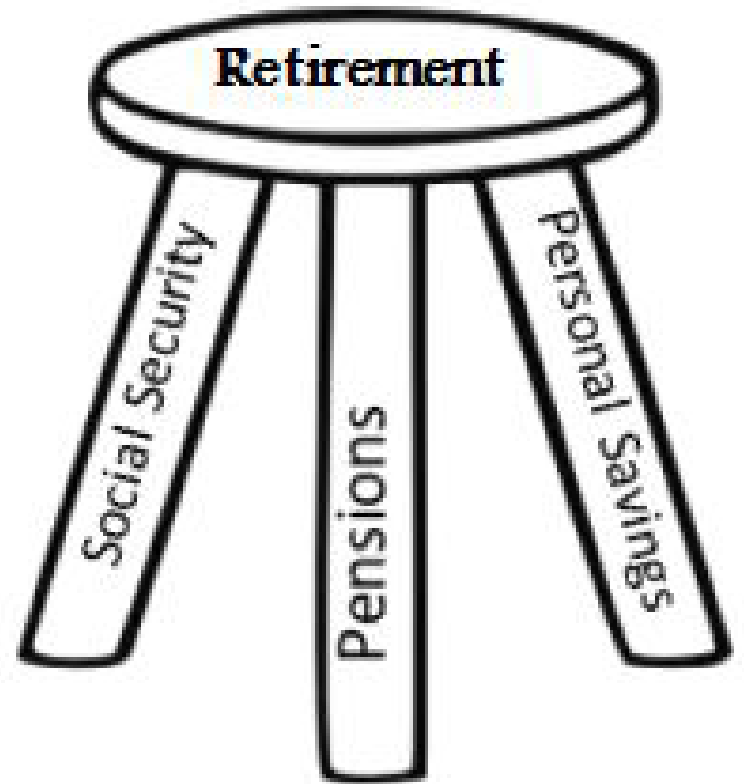


Background and Retirement Trends

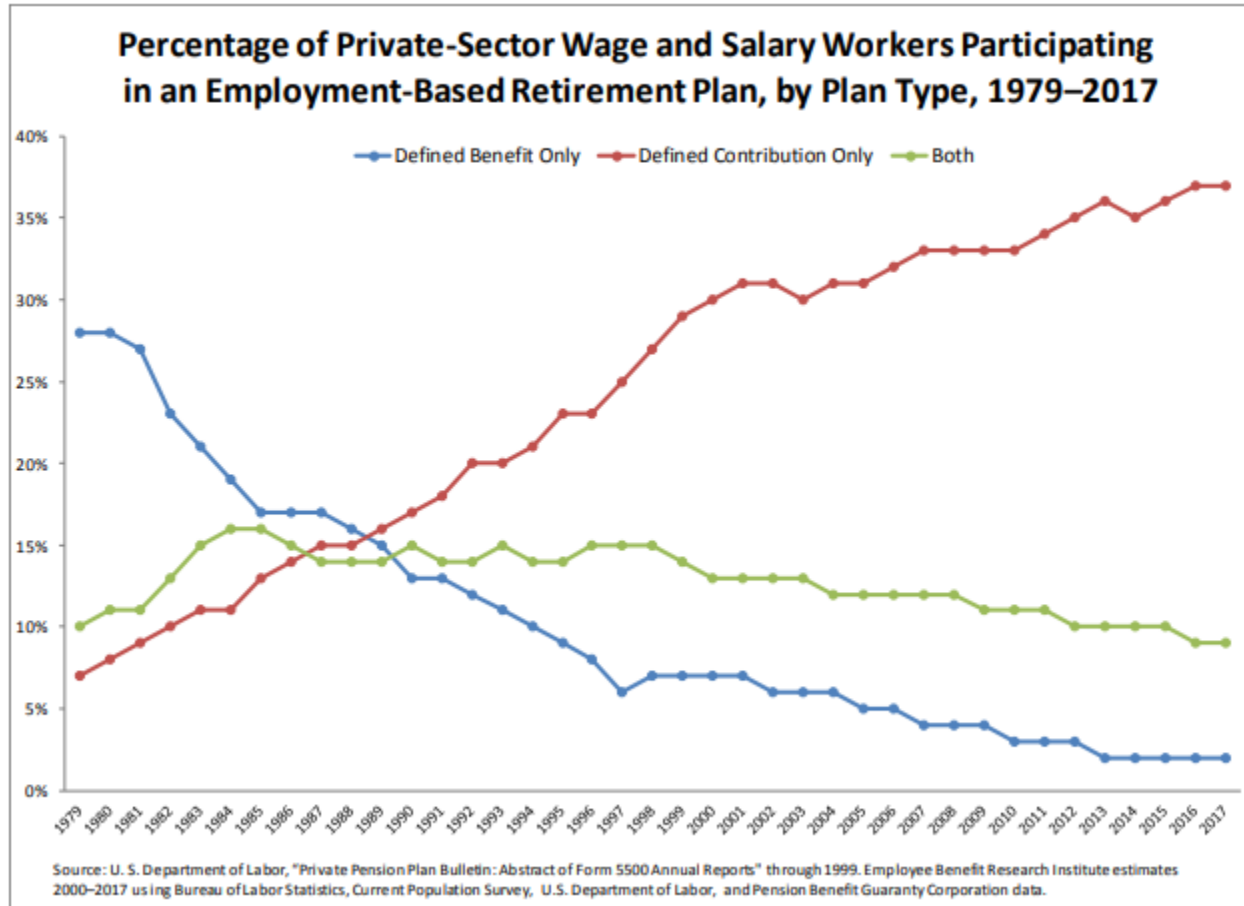


Best Chance for a Secure Retirement: “3-Legged Stool”

- ***Social Security:*** Basic near-universal benefit; keeps retirees out of poverty
- ***Pension:*** Provides monthly income to supplement Social Security
- ***Personal Savings:*** 401(k) & other savings for “extras” beyond monthly bills



Trend: Private Sector Moving to 401(k)s Only



Why Does It Matter?

Pensions are still the best way to achieve retirement security

- Predictable benefit
- Regular, monthly income
- Cannot be outlived
- Pooled, professional investing

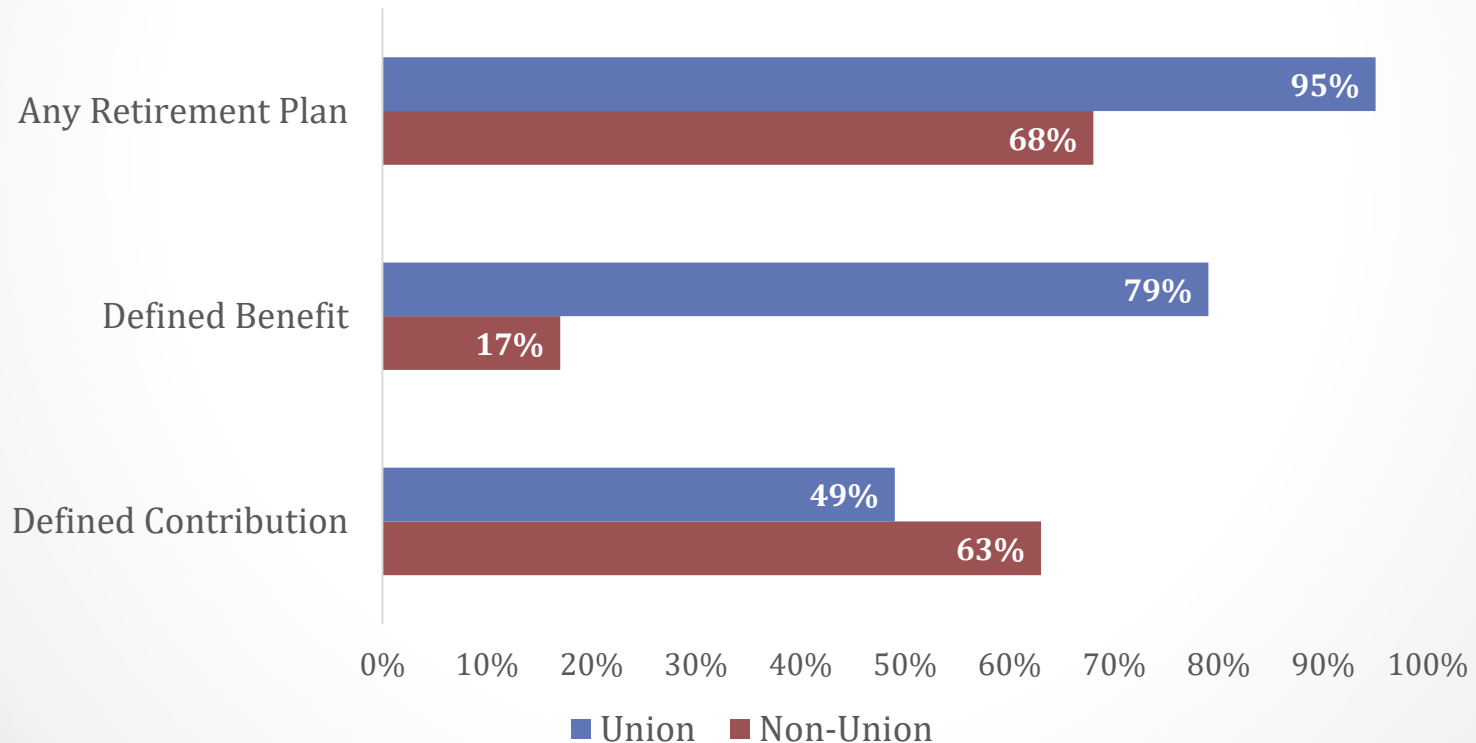
401(k)s put all the risk on workers

- Must be your own financial planner
- Must be your own investment manager
- Must figure out how to spend down money

When companies move from a pension to a 401(k), they almost always drastically reduce the benefit as well.

Union Workers Far More Likely to Have Pensions

Retirement Plan Access Rates among Civilian Workers, March 2021



IAMAW Negotiated Defined Benefit Pension Plans

...of Agreements with Defined Benefit Plans:

Type of Defined Benefit Plan	% of Represented Employees
Single Employer Only	57%
IAM National Pension Only	29%
Other Multi-Employer Only	9%
More Than One Type of DB Plan	5%

IAM National Pension Fund

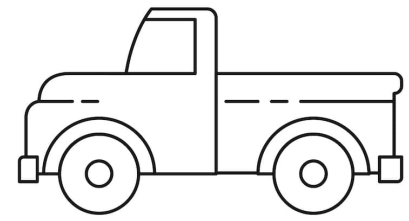
- 5th largest multiemployer pension fund in the country
 - 1,700 contributing employers
 - 275,000 plan participants
 - \$13 billion in assets
- Currently under a Rehabilitation Plan
 - Lost some early retirement subsidies
 - Additional employer contributions for no additional benefit
 - Scheduled to end in 2031
- Difficult to attract new employers
 - Some Service Contract employers continue to join
 - Most contributing employers have not withdrawn



Retirement Bargaining: What Do (Young) Workers Want?



Company A Example



- **Company proposal:**
 - Withdraw from the IAM National Pension Plan
 - 401(k) with contribution: \$40/week + match 50% up to 6% of pay
 - Pension costs too high; employees want 401(k)s.
- **Employees held strongly together to keep the pension.**
 - Lots of member education on the value of a pension.
 - Many workers very low seniority — not yet vested in pension.
 - Willing to continue paying pension rehabilitation costs out of pocket (highly unusual) — proves they have “stake in the game.”
- **In the end, successfully kept the pension!**
 - Same benefit; same employee contribution to rehab costs
 - No “triggers” into 401(k) that the employer continued to propose.

Company B Example



- “Last Best” company offer:

Contribution Type	Current	Proposed
Nonelective	4%	2% - only for first 2 years
Match	75% up to 8%	100% up to 10%
Total Potential	10%	10% (after 2 years)

- Employees must contribute more to receive the full \$;
- If don't contribute at all, no contribution.
- Membership understood this difference immediately.
 - Committee did not recommend; membership voted down.
- Next Offer: Keep current 401(k); additional \$8,000 at ratification that can be put into 401(k).
 - Committee recommended and contract was ratified!

Company C Example

- IAM recently organized some 32 young workers at a company that is decidedly anti-union.
- Brainstorming what to ask for in their first contract, bargaining committee members asked:
“What is a pension?”
“...It sounds great!”
- Now providing member education on retirement.



Negotiating Stronger 401(k) Plans



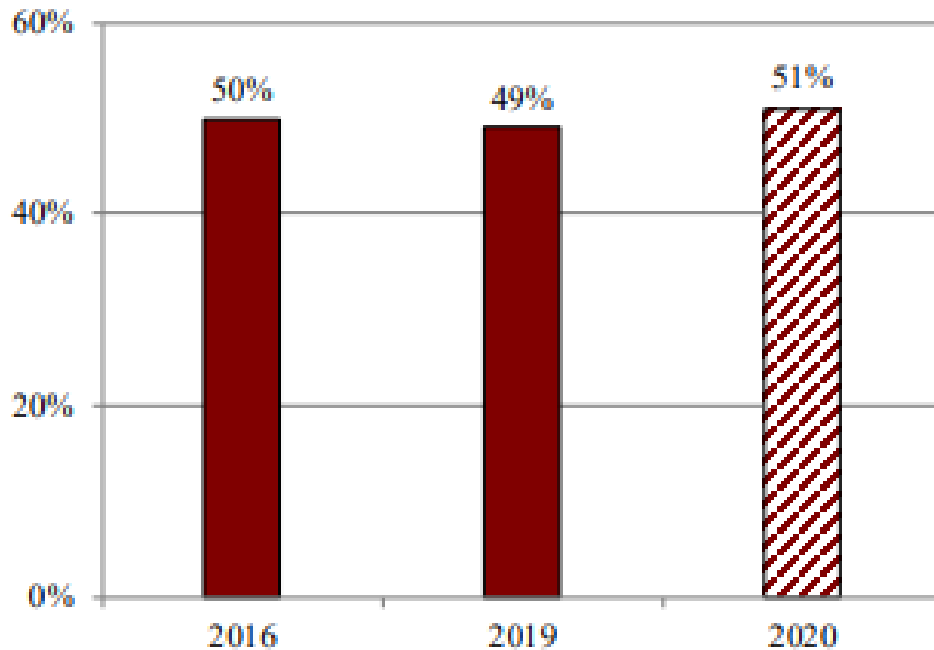
Employee Education is Critical

In the absence of a pension, workers need FAR MORE saved in their 401(k) accounts than most realize.

	Average Worker <i>NEEDS...</i>	Workers Actually <i>HAVE...</i>
Annual Savings Rate	12-15% of pay for 30 years	5% or less if earning under \$100,000
Account Balance at Retirement	10-12x annual pay	2-3x annual pay

As a Result, Many Workers are at Risk for Financial Insecurity

Percentage of Working Age Households at Risk of Insufficient Retirement Income

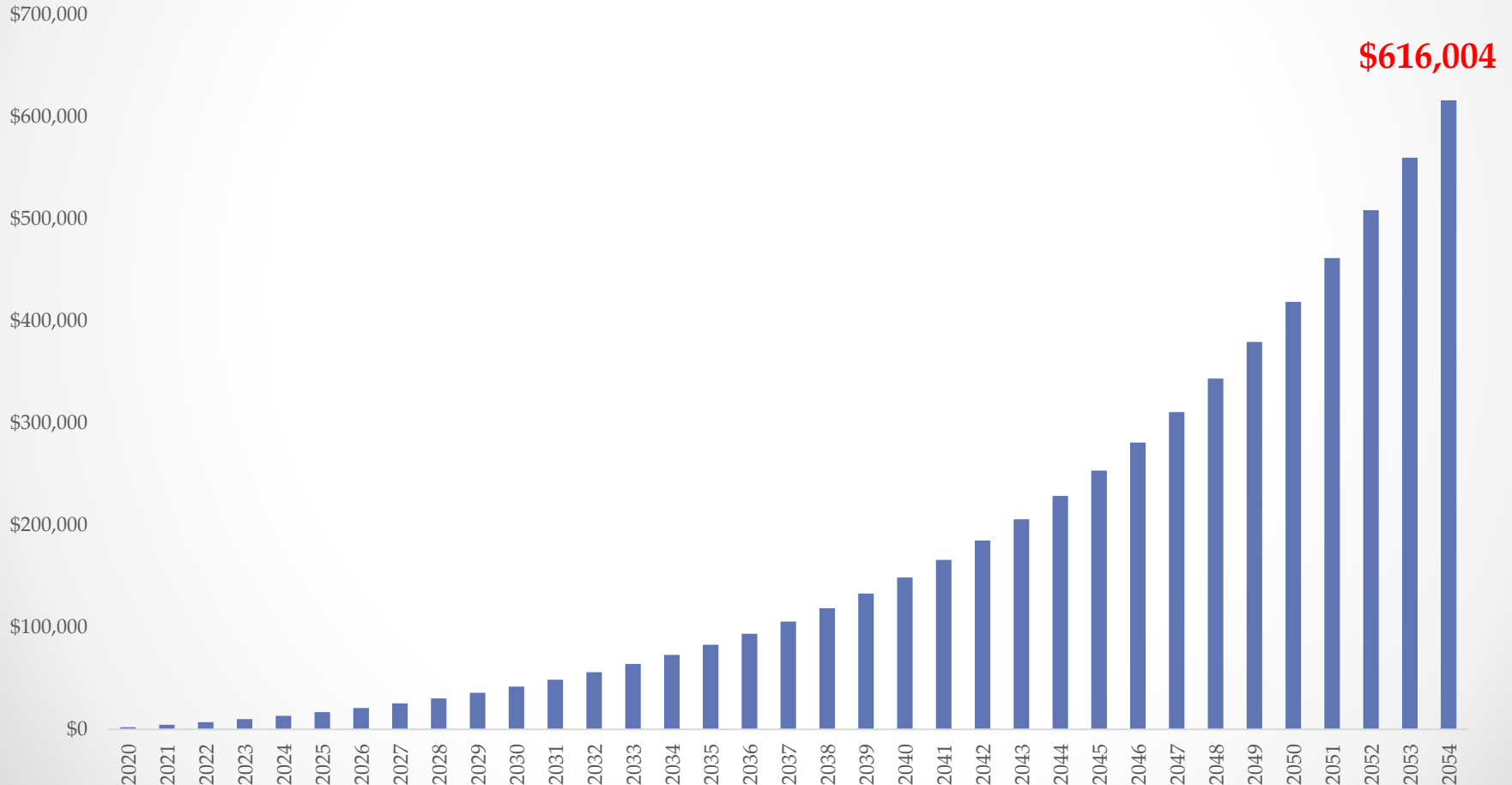


Example Company Proposal

- No pension
- Employer will contribute 3% of pay to a 401(k).
- *How much will that be worth?*



Company Projects Huge Account Balance in Retirement!



Too Good to be True?!

The Company's projections assume that:

- ❑ Employee earns \$30K in 2020.
- ❑ Employee's pay will increase **3% per year**.
- ❑ **7% of pay** is contributed into the account each year.
 - ❖ But the company is only contributing 3%!
 - ❖ Also: Will employee contribute another 4%?
- ❑ Investments will earn **9% per year**—steadily, with no volatility.
- ❑ Employee will work for **35 years**.

Given all of these assumptions working out **perfectly**, the worker has an account value of over \$616,000 at retirement.

What If Contributions and Interest Aren't as High?

Company Contributions: 3.0% (not 7%)

Investment Rate of Return: 7.0% (not 9%)

All Other Assumptions the same! (years of service, starting wage and increases, steady investment returns)

401(k) Account Balance in Retirement	
Company Calculation	\$616,004
Our Calculation	\$176,911
Difference	\$439,093

Negotiating a 401(k)

- **Employer Contribution Rate:** How much?
 - **12-15% of pay over 30 years (combined)** is needed for adequate retirement.
 - Employer should be responsible for most
- **Employer Contributions:**
 - **Automatic or a Match?** Automatic is preferred.
 - **Timing:** Anytime from every pay period to once a year. ASAP is preferred.
- **Automatic Enrollment:** Makes sure all workers are covered
 - Employees can always opt out.
 - *What is default auto contribution rate vs employer match?*

Negotiating a New 401(k) Plan

○ Vesting Schedule

- Immediate vesting of employer contributions

○ Financial Education

- Paid by employer
- 1-2 hours paid work time

○ Investment Options

- Diverse
- Low fees
- Company to periodically review



○ The IAM jointly trusts a multiemployer 401(k):

- Immediate vesting
- No administrative costs to employers
- Portability for IAM workers

Recent IAM 401(k) Negotiations

- **Aerospace Company 1**
 - Nonelective contribution increased to 5% and 6% of pay.
 - Match increased to 50% up to 8% of pay.
 - New plan with good design – auto enrollment and escalations, % contributions, military leave contributions; “quick” enrollment
- **Aerospace Company 2**
 - Nonelective contribution increased to \$1,100 each quarter.
 - Match increased to 70% of first 8% of pay.
- **Aerospace Company 3**
 - Maximum match increased by \$2/week each year of contract.
 - Better plan design - auto enrollment and escalation; immediate eligibility for new hires

Summary



Conclusion:

Many IAM employers have already frozen their pensions to the extent they are going to.

IAM Goals are to:

- Keep the pension benefits for those still eligible. (Butch Lewis helps with this!)
- Bring more workers into the IAM National Pension Fund, if possible.
- Negotiate stronger 401(k) plans for those without a pension.

**Requires good member education;
solidarity.**

Questions?

