

Local 804 Health Fund Update

June
2008

While members' eyes have been on our local's pension problems, our Health Fund has lost at least half its assets in just five years.

Local 804 Members United reveals what happened to our Fund during the last contract so members can watchdog our Fund during the new contract.

Research by *Local 804 Members United* reveals that the Local 804 Health Fund has lost at least half of its assets since June 2003. Just five years ago, the Fund had more than \$32 million in reserves. That number dropped to just \$14.5 million in June 2007, the most recent figures available from the Fund's 5500 Financial Reports.

Our Executive Board has told members that our health fund faces challenges. But they have never disclosed the full magnitude of the Fund's problems. *Local 804 Members United* is committed to giving you the facts. Members can only protect our pensions and healthcare when we're kept informed.

\$18 Million Lost, Funds Diverted

The money allocated to the Welfare Fund under the 2002 UPS Contract was not enough to pay for our benefits. For years, we paid for the shortfall by spending down our Fund's reserves.

From 2003 to 2007, our Fund suffered multi-million dollar losses every year. From June 2003 to May 31, 2005, our fund lost \$6.5 million. (The plan's fiscal year runs from June 1 to May 31.)

With losses mounting, our fund trustees made a bad problem worse. They **reduced** contributions to the Health Fund by millions of dollars in 2005 and diverted the money to the pension fund. The membership was never informed of this move by our Executive Board.

Diverting millions of dollars from our Welfare Fund to our Pension Fund did not stop UPS from forcing through pension cuts in 2006. But it did contribute to the rapid decline of our Health Fund.

Starved for contributions, our Fund lost a record \$6.8 million in 2005-2006 and another \$4.6 million in 2006-2007. By June of last year, the Fund had lost almost \$18 million in just four years.

In the last year, the Fund's financial situation may have improved. The Fund's reserves were up by \$1.8 million as of March of this year, according to Fund Trustee Tony Magrene. That's only a small fraction of the nearly \$18 million lost between 2003 and 2007. But it's a move in the right direction. Hopefully this trend will continue when our Fund releases the data for the end of the 2007-2008 fiscal year.

Rebuilding Our Fund

The challenge for our union going forward is to increase the Health Fund's reserves back up to where they were before—without reducing the health benefits of Local 804 members and retirees or diverting our pension money or wage increases to pay for our healthcare.

UPS came to the bargaining table last year making record profits. That was the time when our local officers had to make sure we got all the money we needed to protect our benefits and rebuild our Health Fund's depleted reserves.

Members were told during the contract vote that 70¢ out of the \$1 per hour negotiated in the national contract for our benefits would go to our pension fund on Aug 1. That leaves 30¢ an hour for our Health Fund. Will that be enough to build back the Fund's reserves and maintain our benefits at the same time? (Our co-pays were already increased last fall.)

The Fund's massive losses and the diversion of money to the pension fund under the 2002 contract were both hidden from Local 804 members. Local 804 members need to watch our Fund carefully so we're not blindsided again.



All financial data comes from Form 5500 financial reports filed by the Fund with the Department of Labor. These reports and other financial information from the Fund can be viewed at www.804MembersUnited.org.