THE ALUMNI AGREEMENT

For many years it has been common for former journeyman pipe fitters to be “brought inside” to perform jobs not covered under the Area Agreement; jobs such as project manager, estimator and even owner/contractor. Because these individuals did not want to lose the generous benefits provided by the union funds and because they were considered valuable employees by their contractors, the company continued to pay benefits on their behalf even though they were not required.

Unfortunately, several years ago a case was brought before a Federal District Court in which a union participant of a welfare fund actually sued the fund for accepting contributions on behalf of workers who were not doing bargaining unit work. The Court ruled that not only could the funds not accept contributions for such people, but that these people could not be eligible for medical benefits from the fund!

Fortunately, there is a way around this, and it is called an “Alumni Agreement”. Under this agreement, an Employer signs up with the Fund Office, and submits a list of those former union Employees who will now be salaried by the company for performing non-covered work. Each month, the company must pay a minimum of 155 hours into the Fringe Benefit Funds on behalf of every person on the list.

Q. This sounds expensive. Can’t I just continue to contribute for the hours the employee actually works and avoid an “agreement”? If he works 125 hours, I pay for 125 hours!

A. First, if you submit contributions to the Funds for work not covered under the Area Agreement without an Alumni Agreement, you are doing so illegally. The Funds will not knowingly accept those contributions, and if it is discovered after the fact, one of the following two things will happen:

1. You’ll sign an Alumni Agreement that is retroactive to the time the employee started working for you in non-Covered Employment and you’ll be required to pay the difference between what you paid and a minimum of 155 hours per month plus interest and penalties, or

2. Your employee’s Pension and Welfare benefits will be revoked retroactive to the time he stopped working in the field and your company will be liable for any Health and Welfare claims the Fund paid from that point forward.

Q. How was the 155 hour minimum established?

A. The Trustees determined that this was approximately the average monthly contribution for members working in the field and it was the amount necessary to fund the Plans. The Trustees of the Benefit Funds felt it was unfair to other Fund participants and to contractors who pay
into the Funds on their behalf to accept benefits for employees engaged in non-bargained employment at a lower level than for Employees engaged in Covered Employment.

Q. Can I keep the employee in just the Welfare Plan, or do I have to pay into all of the Funds?
A. You must pay into all of the Funds.

Q. What if I just keep paying contributions into the Fund for employees who are no longer working in the field and don’t sign an Alumni Agreement?
A. You’ll most likely be caught. Every LU 597 contractor is randomly audited by the Trust Funds at least once every three years. If you are caught, there would be financial penalties and/or liability for benefits erroneously paid by the Plan.

Q. Can I have an employee under an Alumni Agreement and still have him perform bargaining unit work part of the time?
A. No. Once a person is moved to an Alumni Agreement, that person is ineligible to perform covered work. If the company wants to move the employee back into the field, they need to notify the Fund Office and have the employee removed from the Alumni Agreement list.

Q. Do I have to deduct the Wage Work Assessment?
A. The employee may elect to pay the Wage Work Assessment, but is not required to do so as a Condition of Employment. IF the employee chooses to pay the Wage Work Assessment, the Employer must deduct and forward the amount.

Q. Can a contractor contribute more than 155 hours per month on behalf of an employee in the Alumni Agreement?
A. Yes, as long as it’s agreed to in the Alumni Agreement. In this case, you would have to pay the same, higher monthly hours for all employees covered by your Alumni Agreement.

Q. Who can I call if I have questions?
A. Call the LU 597 Fund Office at 312.633.0697.