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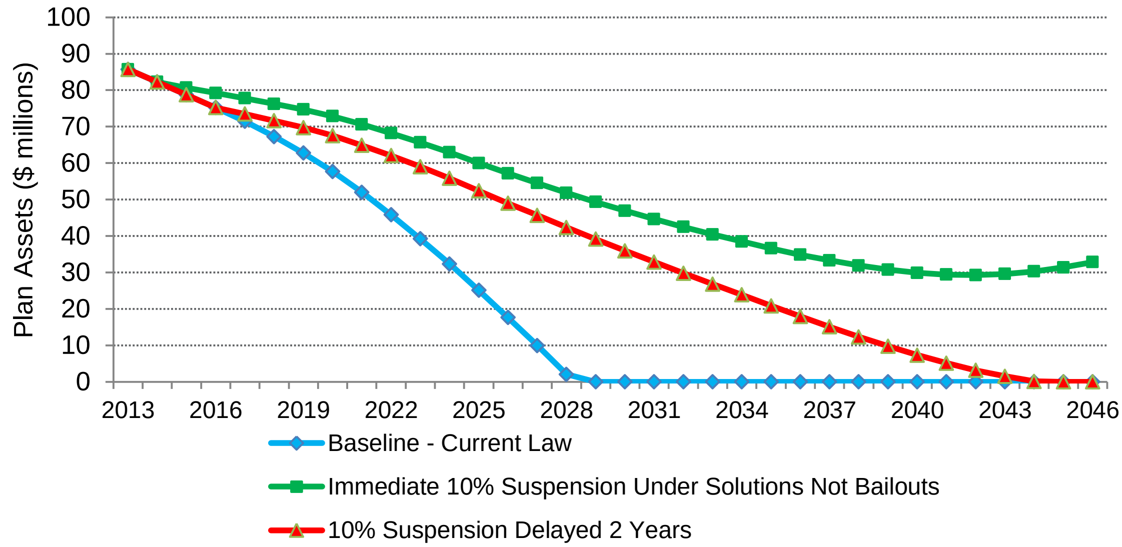
Why We Need Multiemployer Pension Reform Now – In One Chart

The need for multiemployer pension reform is real and it is immediate. The following chart illustrates three possible future scenarios for an actual construction industry plan in the Midwest. As you can see, if Congress does not act now to give plans the flexibility to institute necessary benefit preservation solutions, the consequences will be disastrous.



This plan has exhausted all reasonable measures to restore solvency, including doubling the contribution rate to approximately $10 per hour, while also slashing the benefit accrual rate by half and imposing other cutbacks. Despite these drastic actions, without Congressional action, **the blue line in the chart shows that the plan will exhaust its assets in the year 2028**. When that happens, the average participant, including retirees, will have his/her benefit cut by 50% to the meager PBGC guarantee level. Making matters worse, the PBGC itself is on the path to insolvency within the next ten years, which means the participants in this plan face the possibility of losing their retirement benefits in their entirety.

How could Solutions Not Bailouts affect this plan's future? **The green line shows how this plan would fare under the Solutions Not Bailouts proposal if the plan trustees voluntarily enacted a 10% benefit suspension for all participants.** This scenario shows the power of the Solutions Not Bailouts proposal to preserve benefits to the greatest extent possible by allowing the plan to voluntarily adopt a far lesser sacrifice today, in order to prevent a catastrophic, and automatic, benefit loss down the road. In this case, a 10% suspension now is sufficient to restore solvency, and is preferable to a 50% benefit loss later.

Solutions Not Bailouts can preserve benefits in this plan, but only if we act fast. **The red line demonstrates that if corrective action is delayed by only two years, the 10% voluntary suspension is no longer adequate.** Time is running out, and Congress needs to act now to provide the necessary tools before it is too late.

What does this mean in dollars, and "sense"?

The plan in the chart currently pays an average benefit of **$1,700** per month. If Congress does not give the trustees the tools necessary to prevent insolvency, the average benefit will decline to approximately **$750** per month under the PBGC. With Solutions Not Bailouts, the trustees could voluntarily adopt a recovery program that would preserve the average monthly benefit payment at 90%, or **$1,500** per month. Taking that action prevents insolvency and the catastrophic cuts that come with it. Solutions Not Bailouts makes sense.