



The Case for Pension Relief

Presented by:

Joseph A. LoCicero
Harold S. Cooper

September, 2014



★ Segal Consulting

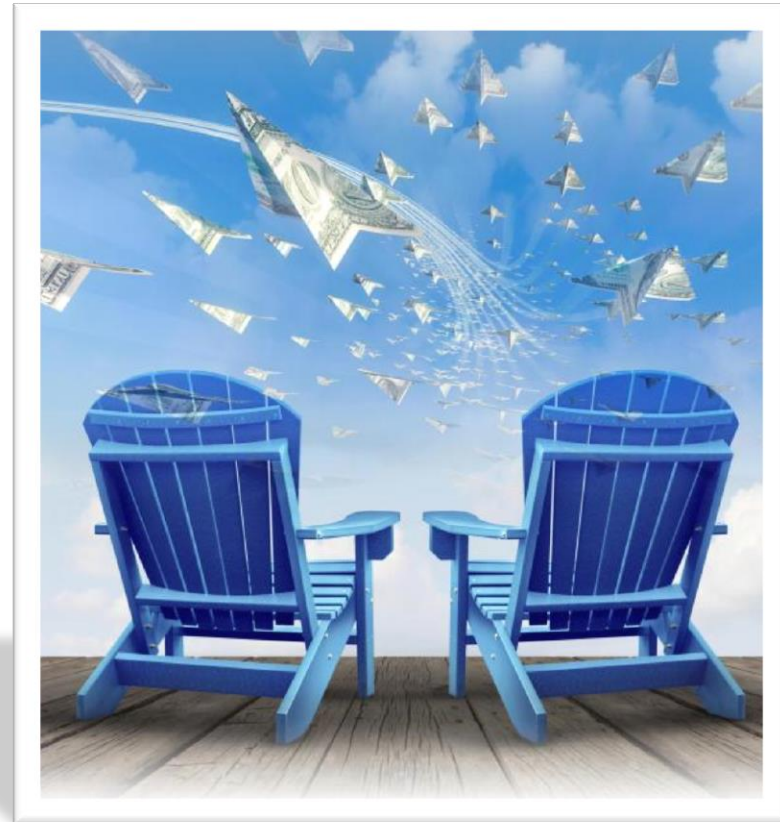
A Case Study

- Midwest area construction plan
- Expected to become insolvent in 2029
- Contribution rate of \$10 per hour
 - Was \$9 in 2006; \$4.35 in 2000
- Benefit accrual rate of \$50 per year of service
 - Reduced from \$100 several years ago
 - Other cutbacks made as part of Rehabilitation Plan

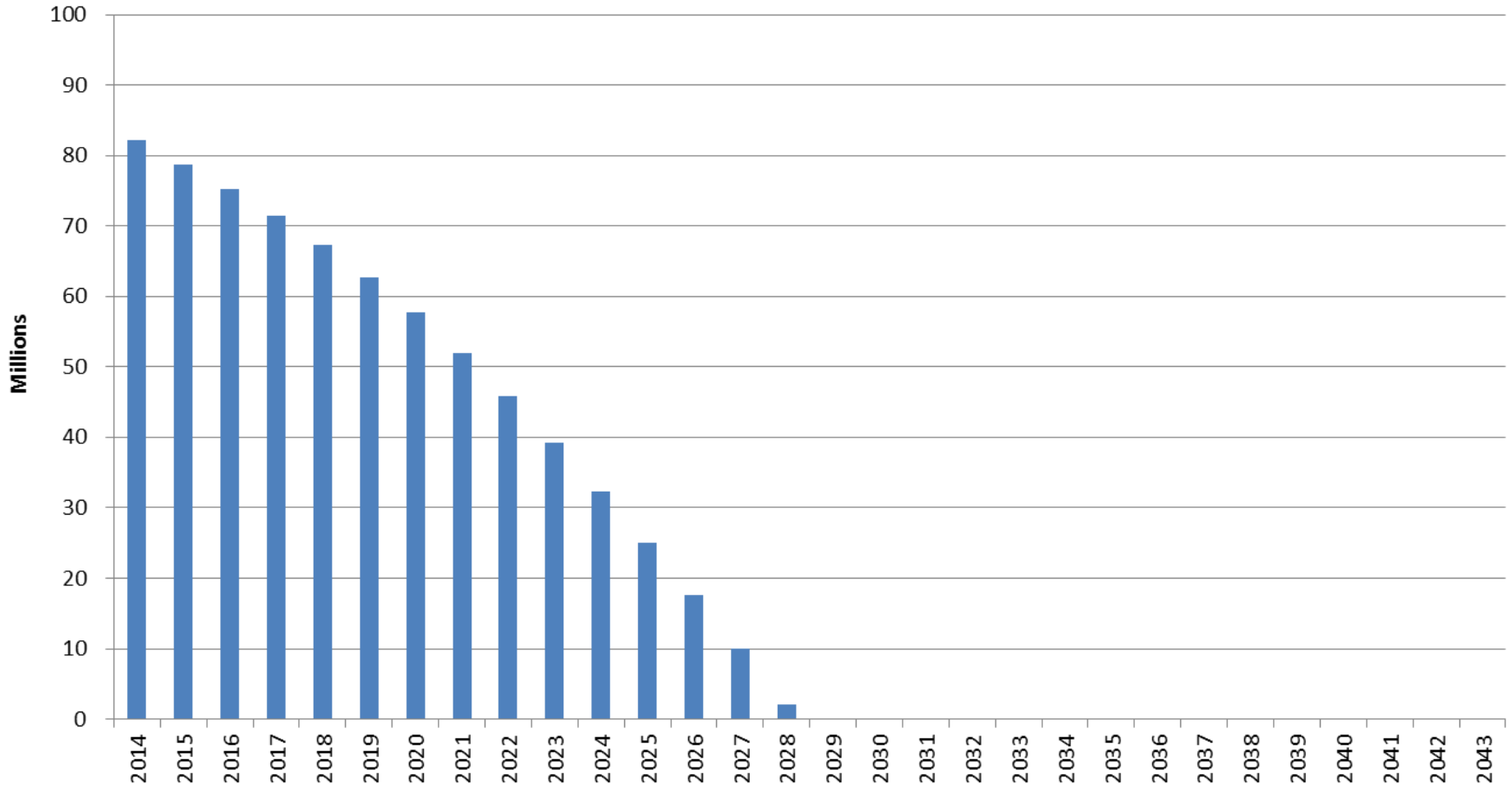


Retiree and Cash Flow Statistics

- Average retiree benefit of \$1,700 per month
 - For service pensions, average benefit is \$2,900
 - 25% of pensioners have benefits in excess of \$2,500
- Total benefits paid are \$20 million
- Total contributions are \$10 million
- Market value of assets is \$87 million
 - Expected asset decline of \$4 million this year and accelerating



Projected Plan Assets with No Changes



Potential Benefit Suspension

- Trustees asked: What is minimum reduction required across the board (actives, inactive vesteds and retirees) that would prevent insolvency?
- Answer: Approximately 10%
- PBGC guarantee would result in average benefit cut of nearly 50%, once the plan is insolvent
- After suspension, benefits much better than PBGC guarantee
 - Average benefit with suspension: \$1,500
 - Average guarantee: \$750
 - Service pension difference even greater
 - \$2,600 vs. \$1,100



Projected Plan Assets After Suspension

