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
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