H. C. FOSTER & COMPANY
Retirement and Welfare Plan Actuaries
P.O. Box 99, Belle Rive, Illinois 62810 ■ (618) 244-1850
hcfoster@mvn.net ■ www.hcfoster.com ■ Deliveries to 8252 North Program Lane

Write to Your Senators – Winter 2018 and 2019

The Butch Lewis Act (S. 2147) cosponsored by Senator Richard Durbin (D-IL) is another proposed federal government rescue program to throw taxpayer dollars at a social problem. The Act would create the Pension Rehabilitation Administration to loan money to underfunded multiemployer pension plans that cover only about 20% of U.S. workers covered in defined benefit pension plans.

Page 2 of this Newsletter is the DRAFT contents of a letter we sent to Senator Durbin responding to his letter to us. The letter emphases that private sector defined benefit plans pose a much larger set of problems due to the declining pension coverage of private sector employees whose pension benefits are not subject to collective bargaining. The letter does not address underfunded public sector plans.

The Bureau of Labor Statistics (BLS) catalogs retirement and other benefit coverage rates. See its publication titled <u>TED: The Economics Daily</u> for its past publications that appears on the Internet under those keywords. Some key titles from the TED index with publication dates follow:

- Access to retirement benefits in March 2003, 6/22/2004
- Trends in retirement plan coverage, 3/10/2006
- Access to benefits in private industry, March 2011, 7/28/2011
- Labor force participation projected to fall for people under age 55 and rise for older groups, 1/6/2014
- Access to retirement and medical benefits by occupation, March 2015, 7/28/2015
- 25 percent of private industry workers have no access to medical care or retirement benefits, 11/3/2016
- Higher paid workers more likely to have access to retirement benefits than lower paid workers, 6/23/2017
- 58 percent of private industry workers had access to medical care and retirement benefits in 2017, 2/5/2018
- 51 percent of private industry workers had access to only defined contribution retirement plans, 10/2/2018

With retirement plan coverage rates falling to 25% of private sector workers and other negative trends listed by TED, there will likely be an additional 25 million or more private sector employees entering the over-age 50 population during the next generation with insufficient retirement income projected and in payment status. The following Internet sources support the 25 million person estimate:

The Center on Budget and Policies - the number of persons age 60 and over increased from 52 million to 67 million between 2007 and 2015, and the number of seniors living below the poverty level increased from 5 million to 6.7 million. The share of eligible seniors receiving SNAP benefits (food stamps) increased from 33% in 2010 to 42% in 2014. Of those over-age 60 eligible for SNAP, 83% participated in 2014. The U.S. Census Bureau reports there are currently 108.7 million persons age 50 and over in 2017, and the Center projects the over-age 60 population will increase to 82 million by 2025, which amount seems low compared to the 108.7 million person figure.

The Federal Reserve - during 2017, the average median net worth for middle class persons between ages 55 and 64 was $187,300 including residential housing, and not skewed by a small percentage of affluent Americans. At 5% after tax investment earnings, this would return about $9,400 per year if monetary principal sustains. The average annual Social Security retirement benefit in 2017 was $16,320 to total annual retirement income of $25,720 that is not sufficient to pay rent and maintain a minimal living standard in most localities. This estimate assumes the $187,300 net worth value is not decimated by unexpected events that include market value disruptions and losses in purchasing power due to monetary inflation. It is little wonder so many retirees depend on food stamps.

We encourage our readers to send a version of the DRAFT letter to their Senators to promote federal regulations under the original intentions of ERISA that encourage private sector employers to again sponsor defined benefit pension plans. Please call or e-mail any questions or comments.

Continued, next page.

DRAFT Letter to Senators.

Your letterhead and date of letter

The Honorable __________
United States Senate
711 Hart Senate Office Building
Washington, DC 20510-1304

Dear Senator _______:

This regards the Butch Lewis Act (S. 2147) that would create the Pension Rehabilitation Administration (PRA) as a means to provide taxpayer funded loans to financially troubled multiemployer pension plans.

We note the following observations:

- BLS reports that multiemployer plans cover only about 20% of U.S. workers covered in defined benefit plans. These plans typically provide much more generous benefits with less rigorous funding requirements and higher administrative expenses than for private sector traditional pension plans.

- Taxpayer funded loans to underfunded pension plans will hasten the coming waves of indigent retirees requiring public assistance. Taxpayer dollars never solve social problems.

- Private sector employer plans present a much larger universe of retirement plan problems because employers no longer eagerly embrace defined benefit pension plans as they did for many generations to efficiently provide retirement benefits to workers.

- Congress enacted ERISA in 1974 with the best intentions; but, subsequent legislation ending with PPA '06 under the pretext of ERISA gradually removed employers' discretionary authority to adopt retirement plans designed to meet their cost and benefit objectives.

- Funding and administrative costs have increased employers' employee compensation costs beyond the value of employees' production when added to Form W-2 Wages and other compensation costs.

- The hodgepodge of IRA and Section 401(k) arrangements provide faint evidence of adequate savings for retirement income. Few employees have the discipline to voluntarily contribute to these arrangements, and then they squander their account balances for non-pension trinkets.

- Regulatory actions are needed to restore the original intentions of ERISA with less federal control to recapture employers' incentives to adopt privately sponsored pension plans.

Please contact us with any questions or comments.

Very truly yours,

Company name if applicable
Your name, and title if applicable

XXX/xx