

The Vanishing American Pension Foretells Bush Social Security Gameplan

by Anita Gallagher

Before President Franklin Roosevelt established Social Security in 1935, most Americans worked from childhood to grave. In the late 1930s, the American labor movement began to use Roosevelt's Social Security as its beachhead, in order to win contracts which included private, employer-funded pensions for unionized workers. These pensions—which, like Social Security, usually specified in advance the level of benefits which the retiree was to receive—became generalized among Americans after World War II.

Today, only 50% of America's private-sector workforce is covered by any kind of savings or pension plan. And the number of private employers who offer "defined benefit" pension plans—the "Cadillac" type which guarantees a monthly benefit from retirement to the end of the retiree's life—has fallen from 112,000 in the mid-1980s, to only 31,000 today; none has been established for at least a decade. What's more, according to the 2003 Retirement Study of Towers Perrin consultants, 25% even of these plans are "frozen"; that is, they're closed to new employees, or allow no benefit accruals.

Over the past 20 years of so-called "prosperity," private employers have exited "defined benefit" plans *en masse* to cut costs; or converted them to the less valuable "cash balance" type. Half of all employers surveyed by Towers Perrin say the expense of such plans "surged" because of their 2000-2002 investment losses. Employers have shed the investment risk of guaranteeing that future pay-out monies are there for an employee's retirement, or for his or her spouse, in favor of cash-balance plans, which tend to be paid out as one lump sum at retirement. Even more frequently, employers offer not specified benefits, but "defined contribution plans," such as 401(k) plans, where the risk of generating future earnings is placed entirely on the employee.

It is this shift of risk to the individual employee for his future retirement, which is the model for what Bush intends in privatizing Social Security.

How has it worked out for millions of holders of IRA investment accounts in the ongoing worldwide financial collapse, which only Democratic statesman Lyndon LaRouche has recognized? They have had their retirement capital "shifted" via Wall Street to synarchist financial interests. A full one-third of the employees surveyed by Towers Perrin said they now plan to work years longer than they had intended, because of their investment losses.

Bush intends to "spend his political capital" with an early 2005 legislative push for privatized Social Security accounts. Conservative study estimates show that here, Wall Street firms could reap nearly \$1 trillion in fees—one quarter of the paid-in potential benefits—over the lifetime of today's young people. In keeping with such a swindle involving the primary retirement income of millions of Americans, it is only fitting that Bush lied during the election campaign that he had absolutely "no plans to privatize Social Security."

'But, My Pension Is Insured'

On Nov. 15, the Pension Benefit Guaranty Corporation (PBGC) dropped a bombshell, announcing a net loss of \$12.1 billion for Fiscal Year 2004 which more than doubled its total deficit, to \$23.2 billion. In 2002, the PBGC ate \$6.1 billion in pension payouts for the nation's steel companies, plus other former industrial mainstays. Though PBGC Executive Director Bradley Belt stated, "The PBGC is committed to protecting pension benefits, and with \$39 billion in assets we can continue to meet our obligations for a number of years," the PBGC now has more than \$62 billion in liabilities. In addition, in November, it upped its estimate of "reasonably possible" exposure to the pensions of shaky companies, to \$96 billion.

In fact, the PBGC's potential exposure to the pensions of the airline industry alone is \$31 billion. To date, the airline and steel industries have accounted for more than 70% of the PBGC's claims by dollar amount.

In 2004, the PBGC was paying benefits to 1.1 million people, in the amount of \$3 billion. The Corporation is not Federally funded. It was created by the Employee Retirement Income Security Act of 1974, to insure "defined benefit" contribution plans up to a limit, which is now \$44,386 per year of retirement. It is funded by insurance premiums paid by companies offering "defined benefit" plans, and by investment returns from those premiums. Like the Federal Deposit Insurance Corporation, if it became insolvent, a taxpayer bailout would be necessary.

From 2000-02, decreasing bond and stock yields caused a decline in funding ratios for pension plans—in fact, the largest decline in the past 30 years, according to Towers Perrin. Many companies thus face high "make-up" funding requirements. Because of so-called "smoothing" methodologies utilized by many pension plans, those increased contributions to cover losses on Wall Street have not yet been funded, and will present some pension plans with dramatically increased costs.

The Bush Administration will present a pension funding proposal to Congress in early 2005. According to the testimony of PBGC Executive Director Bradley Belt before the Senate Commerce Committee on Oct. 7, the funding targets are set too low: "Employers can stop making contributions when a plan is funded at 90% of 'current liability,' a measure with no obvious relationship to the amount of money needed to pay all liabilities if the plan terminates." Belt cited U.S. Airways, which said its pilots' plan was 94% funded on a