

Mary Thomas Prappas Business Ethics Essay Competition 2017

To write the essay you will need to view Joseph L. Badaracco's *Defining Moments: A Framework for Moral Decisions*. The Defining Moments video is available on-line through the Business Source Complete (BSC) database on the University of Iowa website (<http://www.lib.uiowa.edu/biz/>; type Business Source Complete into the SmartSearch field; the database will be your first hit). Once in the BSC database, click on the link to the Business Videos library, and do a search for "Defining Moments." Your search should take you to Badaracco's Defining Moments video.

Background for the Case

The Washington Post presents an interesting scenario surrounding the Central States Pension Fund in "[One of the nation's largest pension funds could soon cut benefits for retirees.](#)" For this assignment, you should read the article in its entirety and use the facts and statements therein to answer the questions below.

Content: Briefly, the article concerns a legal and ethical issue affecting the rights of workers. A pension is defined as "a regular payment made during a person's retirement from an investment fund to which that person or their employer has contributed during their working life." Typically, in America, workers contribute to a pension fund out of their earnings for 30 or more years and then are guaranteed a monthly payment for the rest of their life after retirement. The money in the pension fund is invested by professional managers.

Usually, pension funds grow in value as the investments earn interest and dividends over the years. However, the financial crisis (driven by unethical behavior on Wall Street) caused many pension funds to lose money. Also, retired workers are living longer and thus drawing pensions for more years than previous generations. Because of this, new legislation was passed in Congress that "for the first time allowed financially distressed multi-employer plans to reduce benefits for retirees if it would improve the solvency of the fund."

The Central States Pension Fund ("the Fund"), detailed in the article, is faced with a difficult choice. The Fund does not have enough money to pay out all the money it has promised to past and future employees. If the Fund continues to pay out pension at its current rate, it is projected to become insolvent (out of money) by 2025. If this happens, the Fund may not be able to pay out any money to current or future retirees. This would negatively impact 407,000 current and future retirees.

If the Fund cuts its monthly payments to current retirees by approximately 23%, there is a 50 percent chance the Fund can remain solvent for another 30 years. However, this will have a strongly negative impact on current retirees, who depend on the Fund for their monthly living expenses. It has enraged these retirees, who believe the Fund is breaking an important promise. In many cases, they passed up raises and other benefits during their working years to ensure a certain level of pension payments on retirement.

Suppose you were the director of the Fund. What would you do in this situation? Would you go forward with the proposed cuts or not?

Note: Please do NOT analyze the legal aspects of the situation. We are asking you to examine the situation solely from an ethical perspective.

Use the following steps to assist you in structuring your answer (although you should not write the essay as just answers to the series of questions below). Your essay should have a clearly articulated thesis and effective claim statements for paragraph topic sentences in which you develop your position.

- What is the ethical issue or problem?
- What are the critical facts related to your decision?
- What are possible solutions/actions/responses?
- Who will be affected by your decision? (Who are the stakeholders?)
- What is the effect of the likely solutions/actions/responses on the stakeholders?
- What is your decision? How do you propose to justify your decision based on Badaracco's four Frameworks for a Decision (i.e., best net/net, individual rights, messages sent about character, and what will work in the world as it is) and your own primary ethical values?
- What makes your decision "ethical"?

Format: Your essay should be written in paragraph form, with indented paragraphs and no headings or bulleted points. Essays should be between 3 – 4 double-spaced pages (one-inch margins, page numbers and 12-point font). Essays longer than 4.5 pages will not be eligible for the competition. The essay should have an original title.

All Tippie undergraduates are eligible for the contest. Essays should be submitted as a Word doc to [Anna Bruno](#), Frank Center assistant director no later than May 2.

Thanks to the generosity of Mary and Dempsey Prappas, monetary awards will be given to the students whose essays are considered by the essay contest external review judges to be top-ranked. First, second, and third-place winners will receive \$3,000, \$2,000, and \$1,000, respectively, to be credited toward their U-bills assuming they are continuing students at the UI. Finalists for the 2016-2017 contest will be determined in mid-May 2017 and will have to agree to revise their essay over the summer to be eligible for the final round of judging in September 2017. Winners will be announced in October 2017.