Vol. 1, No. 141 NOVEMBER 2017

Pennsylvania Conference of Teamsters

Strength in Numbers 95,000

LEGISLATIVE ACTION ALERT

PBGC Fiscal Year 2017 Annual Report: Multiemployer Program Deficit Widens to $65.1B; Single-Employer Program Continues to Improve, Deficit Narrows to $10.9B

FOR IMMEDIATE RELEASE
November 16, 2017

PENSION BENEFIT GUARANTY CORPORATION A U.S. GOVERNMENT AGENCY

WASHINGTON - The Pension Benefit Guaranty Corporation's Fiscal Year 2017 Annual Report, released today, shows that the deficit in its insurance program for multiemployer plans rose to $65.1 billion at the end of FY 2017, up from $58.8 billion a year earlier. The increase was driven primarily by the ongoing financial decline of several large multiemployer plans that are expected to run out of money in the next decade.

PBGC's Single-Employer Insurance Program continued to improve as the deficit dropped to $10.9 billion at the end of FY 2017, compared to $20.6 billion at the end of FY 2016. The primary drivers of the continued improvement include premium and investment income and increases in the interest factors used to measure the value of future liabilities.

"We are pleased that the financial condition of the Single-Employer Program is improving, consistent with our projections," said PBGC Director Tom Reeder. "Our attention is focused on the dire financial condition of the Multiemployer Program. We are engaged with trustees of troubled plans to help them protect benefits and extend plan solvency. We will continue to work with the Administration, Congress, and the multiemployer plan community to create solutions so that PBGC's guarantee is one that workers and retirees can count on in the future. The longer the delay in making the changes needed to improve the solvency of the Multiemployer Program, the more disruptive and costly they will be for participants, plans and employers."

PBGC's mission is to enhance retirement security by preserving pension plans and protecting participants' benefits. PBGC runs two separate pension insurance programs: single-employer and multiemployer. While each program is designed to protect participants' pension benefits when plans fail, they differ significantly in the level of benefits guaranteed, the insurable event that triggers the guarantee and premiums paid by insured plans. By law, the two programs are financially separate.

Assets of one program may not be used to pay obligations of the other.

Multiemployer Program Deficit Rises to $65.1 BillionThe Multiemployer Program had liabilities of $67.3 billion and assets of $2.2 billion as of September 30, 2017. This resulted in a negative net position or “deficit” of $65.1 billion, up from $58.8 billion last year. The increase of $6.3 billion results largely from 19 plans newly classified as probable claims because they either terminated or are expected to run out of money within the next decade, offset by the reclassification of one plan that is no longer a probable claim due to the implementation of benefit reductions under the Multiemployer Pension Reform Act of 2014.

During FY 2017, the agency provided $141 million in financial assistance to 72 insolvent multiemployer plans, up from the previous year’s payments of $113 million to 65 plans. In the coming years, the demand for financial assistance from PBGC will increase as more and larger multiemployer plans run out of money and need help to provide benefits at the guarantee level set by law. The assets and income of PBGC’s Multiemployer Program are only a small fraction of the amounts PBGC will need to support the guaranteed benefits of participants in plans expected to become insolvent during the next decade.

In the PBGC’s most recent Projections Report, the agency estimated that, absent changes in law, its
.
Multiemployer Program is likely to run out of money by the end of 2025, and there is considerable risk that it could run out before then. If the Multiemployer Insurance Program becomes insolvent, PBGC will only be able to provide enough financial assistance to pay a small fraction of guaranteed benefits in insolvent plans.

Single-Employer Program Deficit Improves to $10.9 Billion

The Single-Employer Program had liabilities of $117 billion and assets of $106 billion as of September 30, 2017. This resulted in a negative net position or “deficit” of $10.9 billion and reflects an improvement of $9.7 billion from $20.6 billion last year. In FY 2017, the agency paid $5.7 billion in benefits to nearly 840,000 retirees, the same as last year.

During FY 2017, the agency became responsible for 82 single-employer plans that terminated without enough money to provide all promised benefits. Those plans cover 23,000 current and future retirees. In addition, PBGC helped to protect over 26,700 people by taking action in Chapter 11 cases to encourage companies to keep their plans ongoing upon emerging from bankruptcy. PBGC also negotiated two agreements under its Early Warning Program that provided nearly $600 million in financial protection for more than 240,000 people in plans put at greater risk by corporate transactions