Pennsylvania Conference of Teamsters

Strength in Numbers 95,000

William Hamilton, President & Eastern PA Legislative Coordinator – Joseph Molinero, Sec.-Treasurer & Western PA Legislative Coordinator – Tim O'Neill, Consultant – Dan Grace, Trustee & Legislative Advisor – Robert Baptiste, Esq. Legal Advisor

LEGISLATIVE ACTION ALERT

PBGC Pension Benefit Guaranty Corporation
A U.S. Government Agency
Protecting America's Pensions

PBGC Reports Improved Financial Condition

FOR IMMEDIATE RELEASE
November 16, 2018

WASHINGTON - The Pension Benefit Guaranty Corporation's Fiscal Year 2018 Annual Report, released today, shows improvement in the financial condition of the agency's Single-Employer Insurance and Multiemployer Insurance Programs.

The Single-Employer Program showed a positive net position of $2.4 billion as of September 30, 2018, emerging from a negative net position or "deficit" of $10.9 billion at the end of FY 2017 and continuing a trend of improving results. The Multiemployer Program showed a deficit of $53.9 billion, reduced from $65.0 billion at the end of FY 2017. Despite this improvement, the Multiemployer Program unfortunately continues on the path toward insolvency, likely by the end of FY 2025.

The primary driver of the financial improvement in both programs was higher interest rate factors, which reduced the value of PBGC's benefit liabilities. A strong economy and the absence of new large claims also contributed to the financial improvement.

"A financially strong pension insurance program that workers and employers can count on is a vital source of retirement security for millions of workers, retirees, and their families," said PBGC Director Tom Reeder. "The continued improvement in the financial condition of the Single-Employer Insurance Program is a welcome result. The Multiemployer Insurance Program deficit has narrowed, but it clearly won't keep the program from running out of money. PBGC continues to work with Congress and the multiemployer plan community to preserve the solvency of multiemployer plans and the Multiemployer Program."

In the coming years, absent legislative changes, more and larger claims on the Multiemployer Program will lead to the program's insolvency. If the Multiemployer Program is allowed to become insolvent, PBGC will only be able to pay a small fraction of guaranteed benefits for participants in failed multiemployer plans.

PBGC's two pension insurance programs – single-employer and multiemployer – are designed to protect participants' pension benefits when plans fail. However, the programs differ significantly in the level of benefits guaranteed, the insurable event that triggers the guarantee, and the premiums paid by insured plans. By law, the two programs are operated and financed separately. Assets of one program may not be used to pay obligations of the other.

Single-Employer Program Records Positive Net Position of $2.4 Billion

The Single-Employer Program had assets of $109.9 billion and liabilities of $107.5 billion as of September 30, 2018. The positive net position of $2.4 billion reflects an improvement of $13.4 billion during FY 2018. The program's improvement is consistent with PBGC's recent projections and was accelerated by the continued strong economy, lower than expected claims, and higher interest rates.

In FY 2018, the agency paid $5.8 billion in benefits to more than 861,000 retirees, about the same as last year. During the year, the agency became responsible for 58 single-employer plans that terminated without enough money to provide all promised benefits. These plans cover 28,000 current and future retirees.

PBGC works collaboratively with plan sponsors to negotiate agreements that protect pensions and premium payers. PBGC protected the pension benefits of about 52,000 people by working with eight companies to maintain their pension plans as the companies emerged from bankruptcy. Additionally, through the Early Warning Program, the agency negotiated over $550 million in financial protection, for about 100,000 people in plans put at risk by certain corporate events and transactions.

Multiemployer Program Deficit Narrows to $53.9 Billion but Remains Headed to Insolvency

The Multiemployer Program had liabilities of $56.2 billion and assets of $2.3 billion as of September 30, 2018. This resulted in a deficit of $53.9 billion, down from $65.1 billion last year. The $11 billion decrease in the deficit stems mostly from higher interest rate factors used to measure the value of PBGC's future payments to insolvent plans.

During FY 2018, the agency provided $153 million in financial assistance to 81 insolvent multiemployer plans, up from the previous year's payments of $141 million to 72 plans. In the coming years, the demand for financial assistance from PBGC will increase rapidly as more and larger multiemployer plans run out of money and need help to provide benefits at the guarantee levels set by law. Absent a change in law, the assets and future 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 that are currently insolvent as well as those expected to become insolvent during the next decade.

About PBGC's FY 2018 Financial Report

PBGC's financial statements are prepared in accordance with generally accepted accounting principles in the U.S. For FY 2018, PBGC received an unmodified audit opinion on its financial statements as well as an unmodified audit opinion on internal control over financial reporting. CliftonLarsonAllen LLP performed the audit under contract with PBGC's Office of Inspector General, which oversaw the audit. Separately, PBGC publishes a Projections Report each year that illustrates the possible future financial condition of the agency's two insurance programs.

PBGC No. 18-08