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LEGISLATIVE ACTION ALERT



Pension Benefit Guaranty Corporation
A U.S. Government Agency

PBGC Projections: Multiemployer Program Remains in Dire Financial Condition

Single-Employer Program Shows Continued Improvement

FOR IMMEDIATE RELEASE

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WASHINGTON - The Pension Benefit Guaranty Corporation's Multiemployer Insurance Program continues on the path to running out of money by the end of fiscal year 2025, according to findings in the [FY 2018 Projections Report](#). The agency's insurance program for multiemployer pensions covers over 10 million people.

PBGC's Single-Employer Insurance Program, which covers about 26 million participants, continues to improve and last year emerged from a negative net position or "deficit" for the first time since 2001. Continued future improvement is expected but not assured, and the program remains vulnerable to an unexpected downturn in the economy.

As required by the Employee Retirement Income Security Act, the [projections report](#) is PBGC's annual actuarial evaluation of its future operations and financial status. The report provides a range of estimates of the future status of insured pension plans and their effect on PBGC's financial condition, based on hundreds of different economic scenarios.

Multiemployer Projections Show Need for Program Changes

Absent changes in law, the financial condition of PBGC's Multiemployer Insurance Program will continue to worsen over the next 10 years. About 125 multiemployer plans covering 1.4 million people are expected to run out of money over the next 20 years. More and larger claims on the Multiemployer Program over the next few years will deplete program assets and lead to the program's insolvency by the end of FY 2025.

Projections for FY 2028 show a wide range of potential outcomes, with an average projected negative net position of about \$90 billion in future dollars (\$66 billion in today's dollars).

If the Multiemployer Program were to run out of money, current law would require PBGC to decrease guarantees to the amount that can be paid from Multiemployer Program premium income. This would result in reducing guarantees to a fraction of current values. PBGC's guarantee is the amount of retirement benefits that PBGC insures for each participant, which is capped by law.

The President's FY 2020 Budget contains a proposal to shore up PBGC's Multiemployer Program. The budget proposes to create a new variable rate premium and an exit premium for the Multiemployer Program. It would raise an additional \$18 billion in premium revenue over the 10-year budget window. The proposal includes a provision allowing for a waiver of the additional premium if needed to avoid increasing the insolvency risk of the most troubled plans.

Single-Employer Program Continues Improvement

PBGC's projection for the Single-Employer Program shows that continued improvement is expected but with a wide range of potential outcomes. The Single-Employer Program remains exposed to a considerable amount of underfunding in plans sponsored by financially weak employers. Plans whose sponsors' credit quality is below investment grade have unfunded liabilities of approximately \$175 billion.

The projected 10-year average net position has improved slightly compared to last year's report but with little change in the variability. PBGC's future financial condition is sensitive to economic conditions and thus we run our projections using a wide range of economic scenarios. The average projected net position for FY 2028 is a positive \$37 billion in future dollars (\$27 billion in today's dollars). Projected improvements in the program's financial position over the 10-year period are due to a general trend of better funding of pension plans and projected PBGC premiums exceeding projected claims.