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LEGISLATIVE ACTION ALERT

Multiemployer Program Insolvent in FY 2025

PBGC Projections: Multiemployer Program Insolvent in FY 2025 Single-Employer Program Continues to Show Improvement

FOR IMMEDIATE RELEASE
May 31, 2018

WASHINGTON - The Pension Benefit Guaranty Corporation's Multiemployer Insurance Program continues to face insolvency by the end of fiscal year 2025, according to findings in the FY 2017 Projections Report. The agency's insurance program for multiemployer pension plans covers over 10 million people.

The new projections show a narrower range of years for the likely date of insolvency of the Multiemployer Program. The likelihood that the Multiemployer Program will run out of money before the end of FY 2025 has grown to over 90 percent, and there remains a significant chance the program will run out of money during FY 2024. The likelihood the program will remain solvent after FY 2026 is now less than 1 percent. The narrower range in the new projections is based on the most recent available data on troubled pension plans.

PBGC's Single-Employer Program, which covers about 28 million participants, continues to improve and is likely to emerge from deficit sooner than previously anticipated.

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 Program Deficit Expected to Continue to Grow

Over the next decade, the financial condition of PBGC's Multiemployer Insurance Program is expected to worsen. Projections made for FY 2027 show a wide range of potential outcomes, with an average projected deficit of about $89.5 billion in future dollars – an increase of over $11.7 billion from last year's projection for FY 2026. The insolvency risk and projected future deficits are very similar whether or not PBGC assumes multiemployer plans will continue to adopt benefit reductions or partitions under the Multiemployer Pension Reform Act of 2014.

About 130 multiemployer plans covering 1.3 million people are expected to run out of money over the next 20 years. Absent legislative changes, more and larger claims on the Multiemployer Program will lead to the program's insolvency. As insolvency nears, the specific year of insolvency becomes more predictable. The most recent projections show that the risk of the Multiemployer Program becoming insolvent prior to FY 2024 or remaining solvent after FY 2026 is now very small. It is increasingly likely that the Multiemployer Program will become insolvent during FY 2025.

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 premium income, which 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 2019 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 in the Multiemployer Program, estimated to raise an additional $16 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 to Improve

PBGC's Single-Employer Insurance Program covers about 28 million participants in more than 22,000 plans. Last year's report projected the program could potentially emerge from deficit by FY 2018 and was likely to emerge by FY 2022. The program forecasts have improved, with a larger chance of emerging from deficit by FY 2018 and emergence likely by FY 2019. The projections for FY 2027 show a wide range of potential outcomes, including the possibility for future deficits that could range in excess of $100 billion, but with an average positive FY 2027 net position of $26 billion in future dollars ($20 billion in today's dollars). Improvements in the program's financial position over the 10-year period are due to the general trend of better funding of pension plans and projected PBGC premiums exceeding projected claims.

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