



BENEFIT NEWS BRIEFS

PBGC Fiscal Year 2016 Annual Report Largest Deficit in PBGC History!!

The Pension Benefit Guarantee Corporation (PBGC) recently released its **fiscal year 2016 annual report** (Report), which is discussed below. The Pension Benefit Guaranty Corporation (PBGC) insures the defined benefit pensions of workers and retirees in private-sector pension plans. The PBGC now protects the retirement security of nearly 40 million American workers and retirees in defined benefit pension plans and is responsible for benefit payments to more than 1.5 million people in failed plans who otherwise may have lost their pensions.

The PBGC runs two programs to insure different types of defined benefit pension plans: single-employer plans and multiemployer plans. These two insurance programs are operated and financed separately. The multiemployer program protects over 10 million workers and retirees in about 1,400 pension plans. The single-employer program protects about 30 million workers and retirees in over 22,000 pension plans.

The PBGC estimates that plans covering about 10 to 15% of the 10 million multiemployer participants are at risk of running out of money over the next 20 years and that PBGC's multiemployer insurance program is likely to run out of money by the end of 2025. According to the PBGC's Report, the insolvency of the PBGC's multiemployer insurance program would devastate not only the retirement benefits of the 1 to 1.5 million participants and their families in these at-risk plans but all the participants in multiemployer plans that are currently receiving PBGC financial assistance as well.

The Report states the PBGC multiemployer insurance program needs reform that addresses the problems affecting plans, and also strengthens the multiemployer fund so that workers, retirees, and plan sponsors can rely on it for years to come. The Report notes that the President's 2017 Budget proposed a structure for increased premiums under the multiemployer program at a level that would help alleviate some of the risk of the multiemployer programs becoming insolvent within 20 years. Changes to the multiemployer insurance program such as this

restructuring are urgently needed to protect the lifetime pensions of millions of America's workers and retirees.

This year, the PBGC multiemployer program:

- Paid \$113 million in financial assistance to 65 multiemployer pension plans covering the benefits of over 59,000 participants with an additional 27,000 people entitled to benefits once they retire. Ten of the 65 plans became insolvent during FY 2016. These 10 newly insolvent plans cover about 10,000 participants.
- Performed 16 multiemployer plan audits to protect the benefits of more than 14,000 people.

Multiemployer Financial Position

The Report discusses that the financial position of the PBGC multiemployer program is worsening and is in *dire need of reform*. According to the Report, the multiemployer program's net financial position declined by \$6.5 billion, increasing its deficit to \$58.8 billion, an all-time **record deficit** for the multiemployer program. The Report explained that the \$6.5 billion increase in the multiemployer program's deficit is primarily due to newly identified plans that will probably need assistance and decreases in interest factors offset by changes in assumptions regarding the percentage of benefits that would be guaranteed upon the insolvency of a plan.

The PBGC's recently issued [FY 2015 Projections Report](#) indicates that the program's risk of insolvency rises over time, exceeding 50% in 2025. The risk of insolvency rises rapidly over the following 10 years, reaching over 90% by the end of FY 2035. When the program becomes insolvent, the Report notes the PBGC will be unable to provide financial assistance to pay the full level of guaranteed benefits in existing insolvent plans.

Additional Resources:

Previous PBGC Annual reports are available at: <http://www.pbgc.gov/about/annual-reports.html>.

The Director of the PBGC also has a blog which discusses the Report: <http://www.pbgc.gov/about/who-we-are/retirement-matters/post/2016/11/28/A-Snapshot-of-PBGC-FY-2016-Annual-Report.aspx>.

For PBGC information on everything multiemployer, see: <http://www.pbgc.gov/prac/multiemployer.html>.

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