A LIFELINE FOR THE PENSION BENEFIT GUARANTY CORPORATION MULTIEMPLOYER PROGRAM

Ten Years until Bankruptcy and a $50 Billion Deficit Could End the PBGC, but Multiemployer Pension Reforms Will Help Save the Agency with No Cost to the Taxpayer. Here's How.

The Latest:

In June of 2014, the **PBGC Projections Report** included two important findings. First, the report indicated the PBGC's multiemployer insurance program will very likely exhaust its resources within the next ten years. Second, the report showed that during the 2013 fiscal year, the long-term multiemployer program deficit fell from $79.6 billion to $49.6 billion, thanks primarily to favorable economic experience during that year. The report also noted that a change to more conservative assumptions retroactively increased the long-term deficit for the prior year by nearly $50 billion.

What Can Be Done?

Proposed reforms, under consideration by Congress and developed by a commission of business and labor organizations that participate in the multiemployer pension system, would dramatically improve the outlook for PBGC if enacted soon. Indeed, the urgency of the situation cannot be overstated, and the time for Congress to act is running out fast. Every day that we wait leaves retirees exposed to greater benefit losses and increases the financial pressure on the PBGC. These proposed reforms are from a report called **Solutions Not Bailouts (SNB)**, and they contain provisions for deeply troubled multiemployer plans that will have an enormous positive impact on the PBGC's finances. Specifically, the SNB proposals would give deeply troubled plans the flexibility they need to preserve retiree benefits above the PBGC guarantee level without receiving any money from the agency or without an expensive taxpayer bailout.

What Impact will Solutions Not Bailouts Have on the PBGC?

One very large plan that faces imminent insolvency has indicated that if the SNB proposals were enacted, they could preserve benefits above the PBGC guarantee level without receiving any assistance from the agency. Taking this step, for just one plan, would remove approximately $20 billion of liability from the PBGC's shortfall while protecting retiree benefits – but only if enacted before the plan passes the point of no return. Another plan has determined that under current law, its retirees will face catastrophic benefit losses averaging 50%. The SNB tools would allow it to return to health with a much smaller voluntary 10% adjustment to benefit levels. In addition to these examples, there are dozens of other plans that could return to financial health and preserve benefit levels without PBGC assistance if SNB is enacted now. With timely Congressional action, SNB will significantly improve the fiscal viability of the PBGC and reduce the risk to taxpayers.

Is There Any Hope for the PBGC?

Yes. We can overcome the challenges facing the PBGC. If Congress enacts the measures recommended in Solutions Not Bailouts, the current $50 billion deficit could be cut in half immediately. As evidenced by the wild fluctuations in the reported deficit over the past year, continued economic growth can have a powerful effect on the PBGC's outlook. Congress is also considering separate legislation that would save a large multiemployer pension in the mining industry, removing $6 billion in liability from the PBGC's books. Further, PBGC funding can be improved with an increase in the premium level, but only if it adequately takes into account the fact that both contributing employers and plan participants have already made enormous sacrifices to improve plan funding levels, and their ability to fund the PBGC through further sacrifice is limited.

Conclusion:

It's Time to Act. While a $50 billion deficit is nothing to take lightly, if all stakeholders in the multiemployer system take a realistic and pragmatic approach to adopting innovative solutions like Solutions Not Bailouts, there is no reason to believe that these challenges cannot be met. However, the clock is ticking and the longer Congress waits to take action, the more uncertainty is added to the system and the more severe benefit losses could become. The time for action is now.