

Multiemployer Pension Plans: Is There a Runaway Ramp Before the Cliff?



AMERICAN ACADEMY OF ACTUARIES

ANNUAL MEETING
AND
PUBLIC POLICY FORUM

2017

NOVEMBER 14-15



FAIRMONT HOTEL

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The views expressed in this session are those of the presenters and do not necessarily reflect the views or position of the Academy or its boards, councils, or committees, nor do they express the opinions of the presenters' employers.

Speakers

- ❑ Jason Russell, MAAA, FSA, EA—Chairperson, Multiemployer Plans Committee, American Academy of Actuaries
- ❑ Michael Scott, Executive Director
National Coordinating Committee for Multiemployer Plans
- ❑ Stan Goldfarb, MAAA, FSA, EA
Horizon Actuarial Services
- ❑ Kevin McDermott, Senior Labor Policy Advisor
U.S. House of Representatives
Committee on Education and the Workforce



Multiemployer Pension Plans

Is There a Runaway Ramp Before the Cliff?

Stanley Goldfarb, MAAA, FSA, EA
Horizon Actuarial Services



Questions

1. What's needed for Plans and PBGC to survive?
2. Thoughts on Legislation
 - Taxpayer Funds for Plans and PBGC
 - Old/New Pools and Withdrawal Liability
3. Where are PBGC premiums headed?
 - W/without other funding options



Single and Multiemployer Plans in *Very* Different Condition

- Single Employer Plans
 - ~30,000 plans covering ~30 million participants
 - Same employers “on hook” for benefits
 - Almost all will remain solvent
 - But very few new employees are earning benefits



Single and Multiemployer Plans in *Very* Different Condition

- Multiemployer Plans
 - ~1,300 plans covering ~10 million participants
 - Many employers are gone
 - Remaining employers can't afford orphans
 - **Plans covering 1-2 million participants may become insolvent**



PBGC Premiums

Q: What are current premiums?

A: \$28 per participant, going up with inflation

Q: What revenue projection is in the president's budget?

A: 10 times current premium level

Q: What is proposed structure increases?

A: 3 tier program

1. Increase per capita premium
2. Add variable premium (as in current Single Employer structure)
3. Introduce exit premium, payable to PBGC, not to Fund



How/Can Multiemployer Plans Be Preserved?

- Investment Returns?
- Higher Contributions?
- Taxpayer Funds?
- Cut Benefits?
- *All of the Above?*



Proposals for Multiemployer Plans



**HIGHER
CONTRIBUTION\$**

TAXPAYER LOAN\$

CUT BENEFITS

**Higher PBGC
Premium\$**

NCCMP

X



Maybe

X

IBT

X



X

X

UPS

X



NB: Proposals have been changing and will continue to change.



New MeP Plan Designs

- Would create new plans with adjustable benefits
- Separate legacy from new plans
- Concerns about withdrawal from legacy plans



What does PBGC Need?

PBGC's Insurance Programs

- Single Employer Plans

PBGC guarantee covers most benefits

Maximum annual benefit: ~\$60K

- Multiemployer Plans

PBGC covers only a portion of benefits

Maximum annual benefit: ~\$13K after 30 years



What Does PBGC Need?

	Single Employer Program	Multiemployer Program
Premium / Participant <small>(avg)</small>	\$214_{pp}	\$28_{pp}
Total Premiums <small>(\$ Billions per year)</small>	\$6.4 B	\$0.3 B
Projected 2026 Program Surplus (Deficit) <small>Projection Mean in 2015\$B</small>	\$10 B	(\$58) B
PBGC Program Insolvent <small>(Mean of Scenarios)</small>	—	2025



Future of PBGC

Unless there is a legislative solution, two very large Funds, Central States and Mine Workers will go insolvent in a few years.

In round terms, the PBGC will pay out \$2 Billion per year just for those two funds.



Future of PBGC (cont)

There are 4 million active participants in the multiemployer system and 10.6 million total participants.

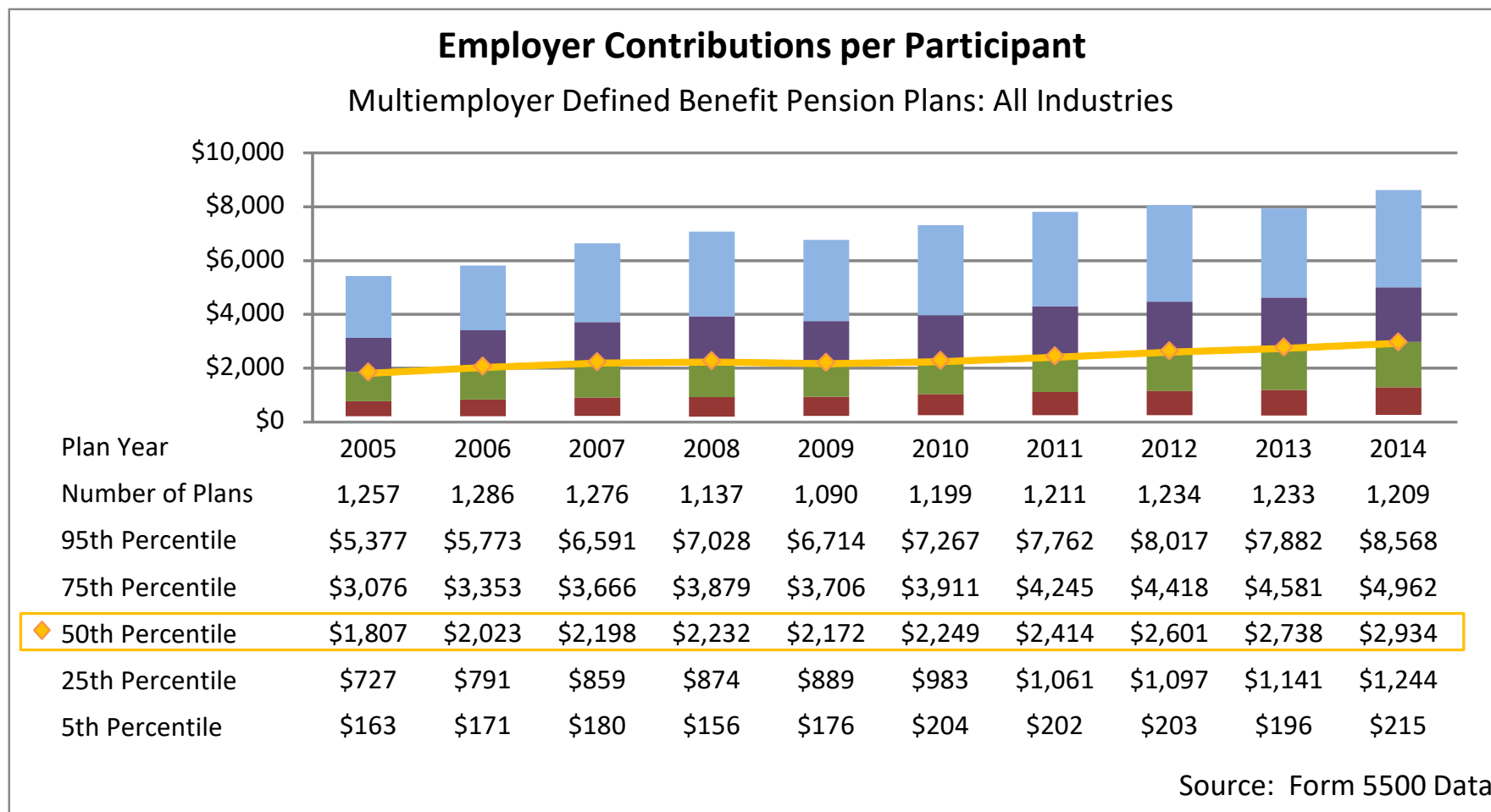
\$2 billion divided by 4 million people = \$500 per person

\$2 billion divided by 10.6 million people = \$189 per person

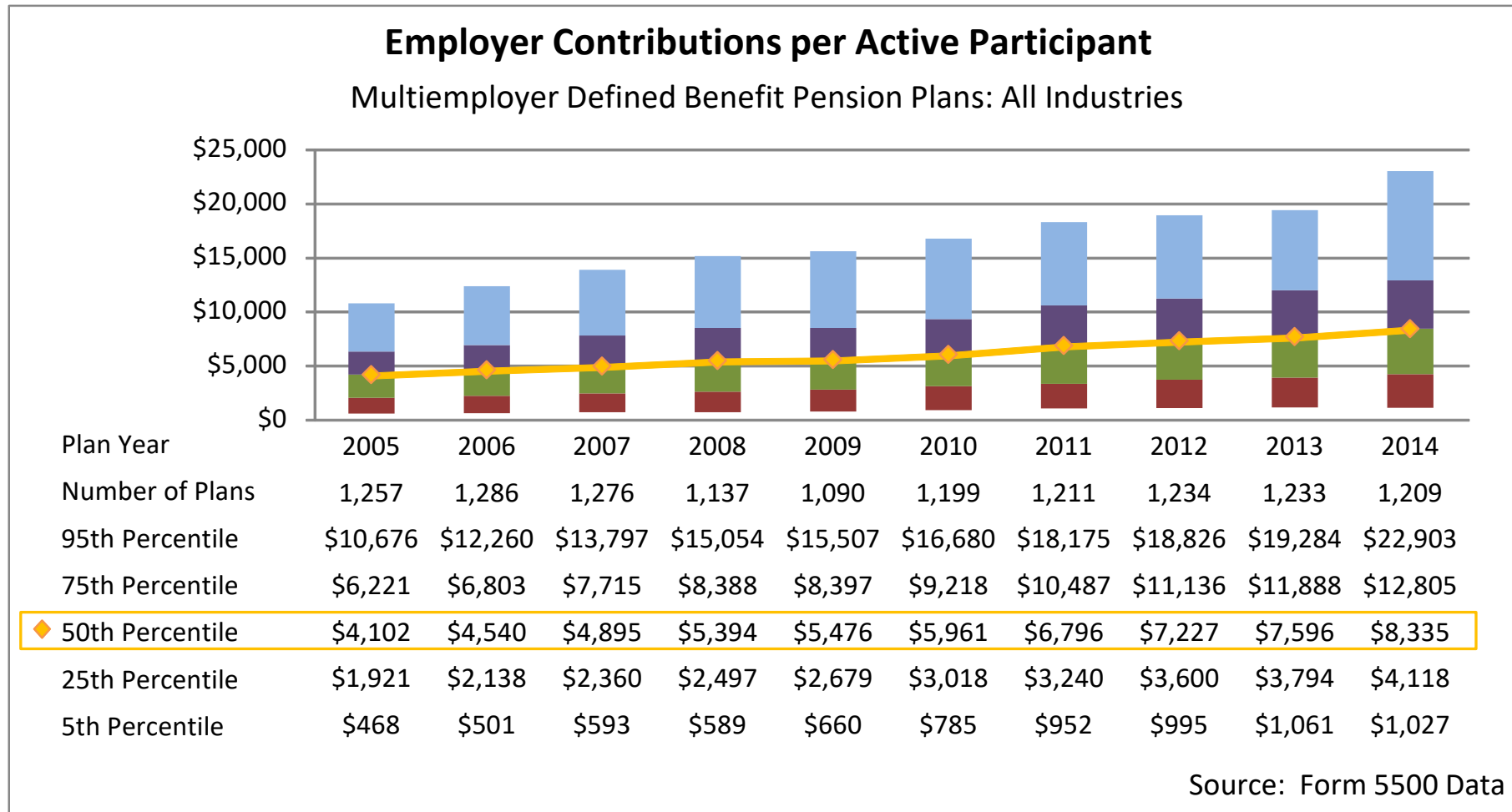
That is the amount needed every year just to pay for Central States and Mine Workers.



Per Capita Contributions by Plan – All Participants



Per Capita Contributions Per Active Participant



Are Higher PBGC Premiums Affordable?

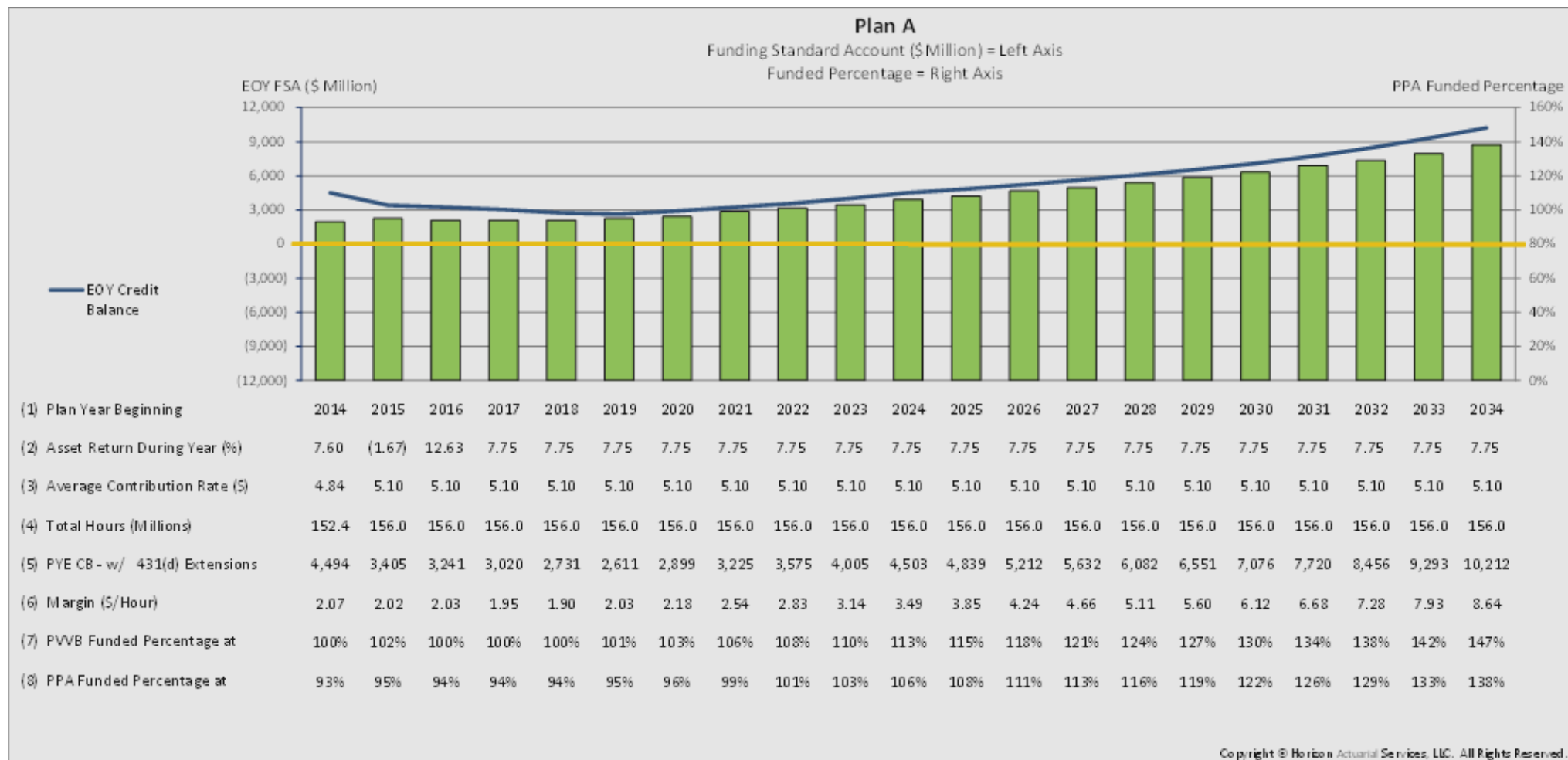
Plan	Contributions Per Capita		PBGC Premium Increase	Zone Status	Funded % 2034
	Actives	All Participants			
Plan A	\$9,376	\$4,053	None	Green – All Years	138%
Plan A			\$150	Green – All Years	133%
Plan B	\$2,122	\$962	None	Green – All Years	107%
Plan B			\$150	Endangered or Critical Starting 2020	92%
Plan C	\$1,916	\$331	None	Critical	44%
Plan C			\$150	Critical and Declining	0%

Notes:

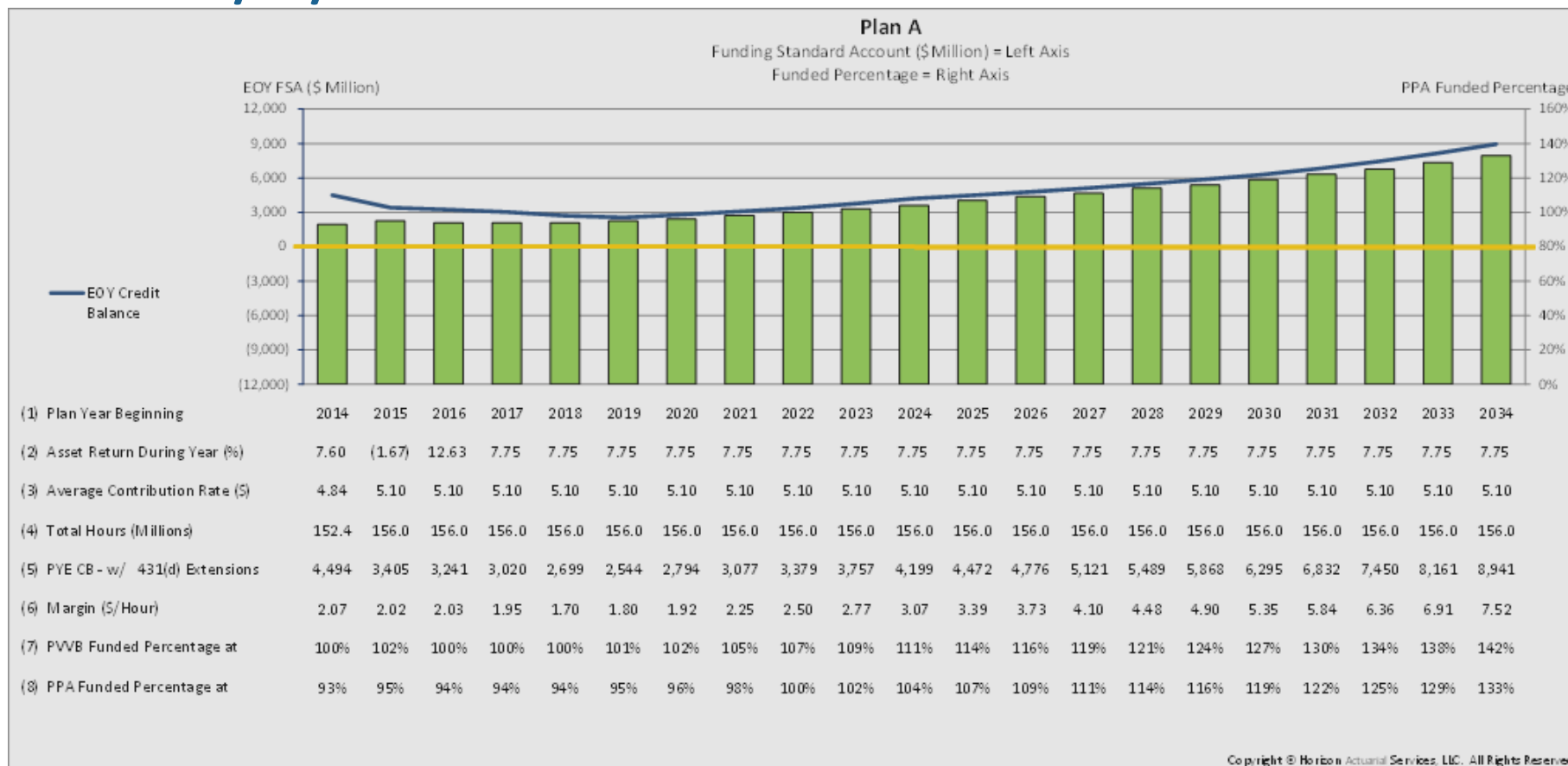
1. Premium increase assumed to be effective January 1, 2018
2. Assumes 3% annual inflation for future premium increases



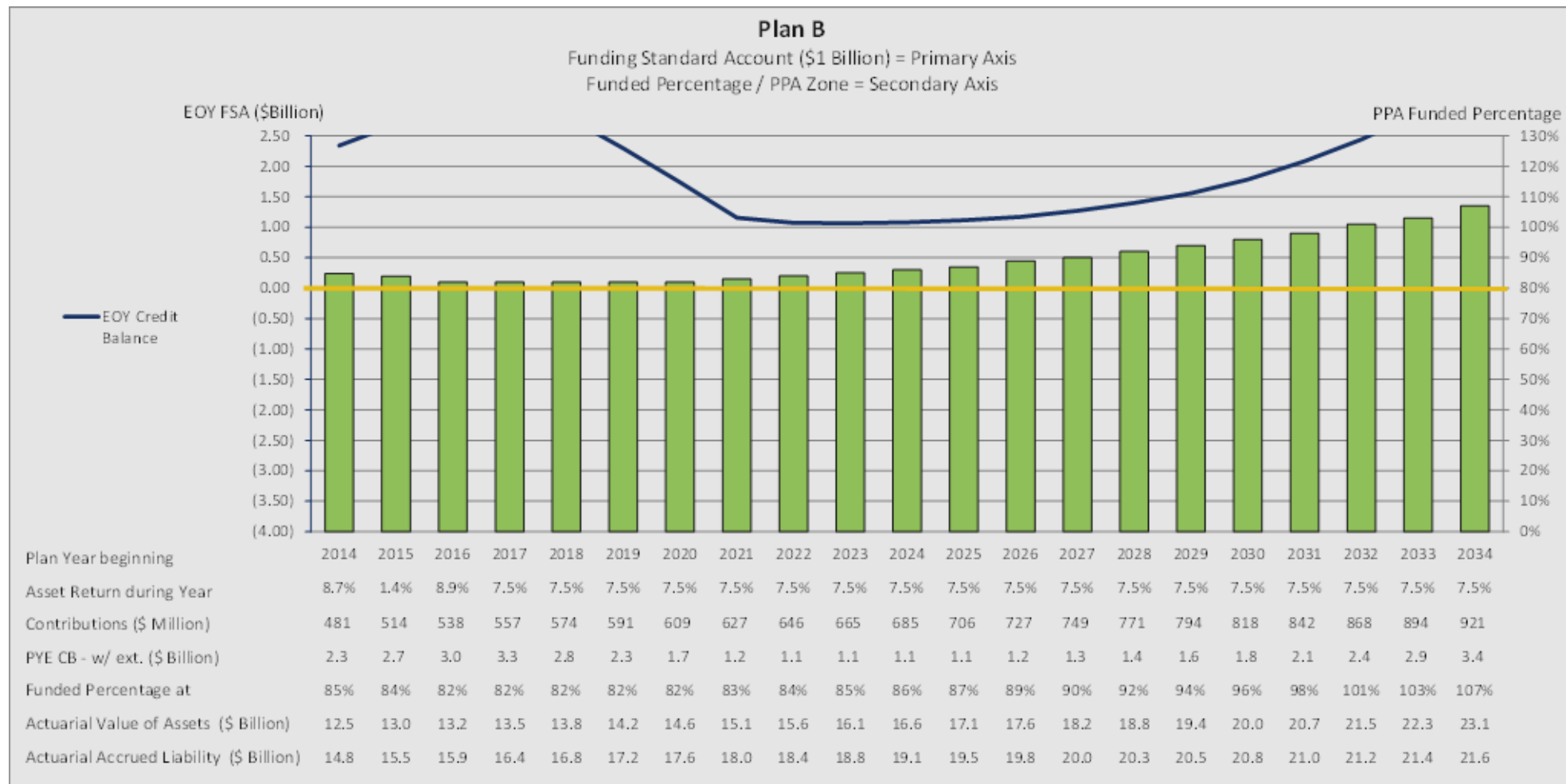
Plan A – Current Premium Levels



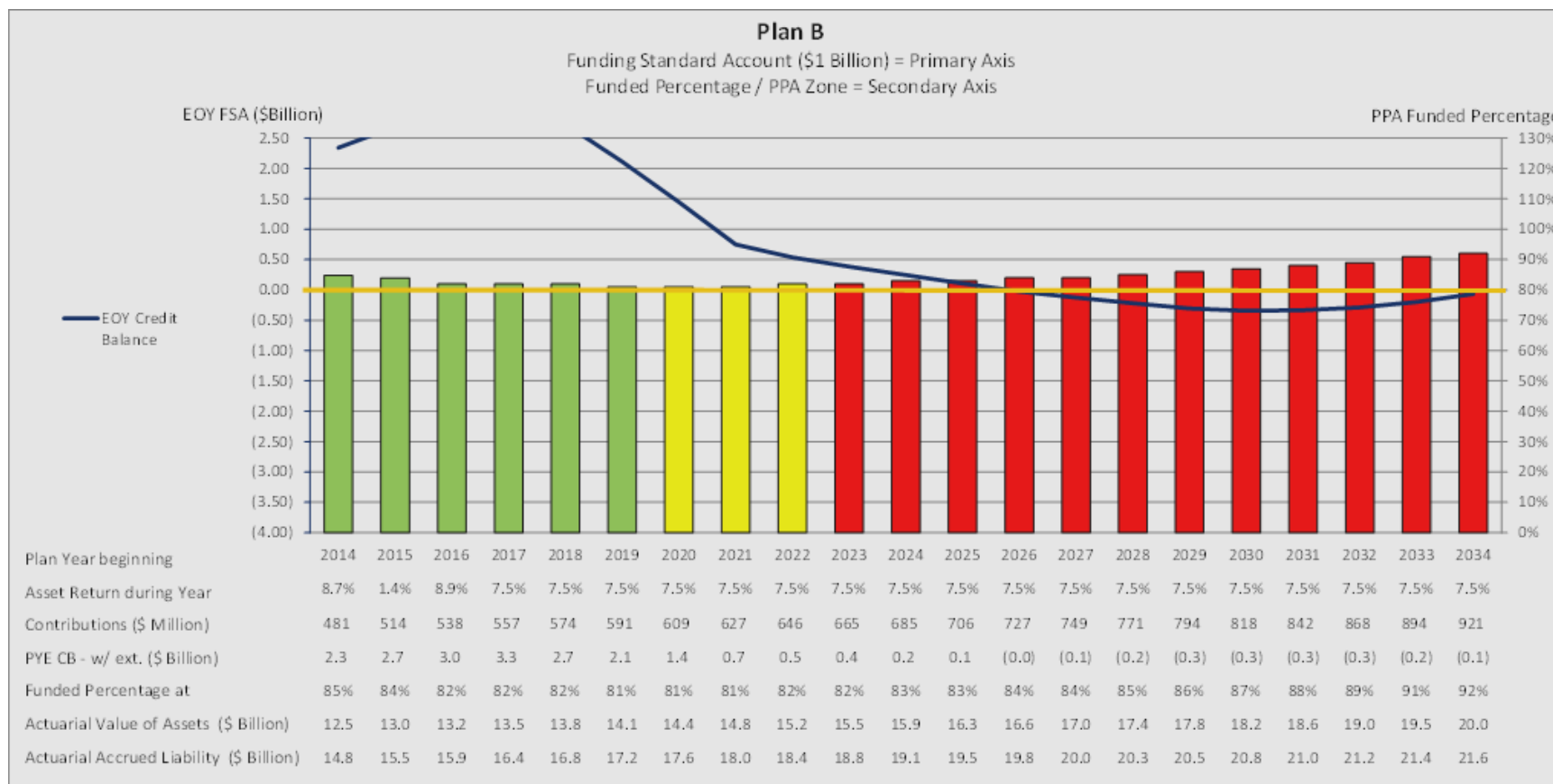
Plan A – Premiums Increase by \$150 Effective 1/1/2018



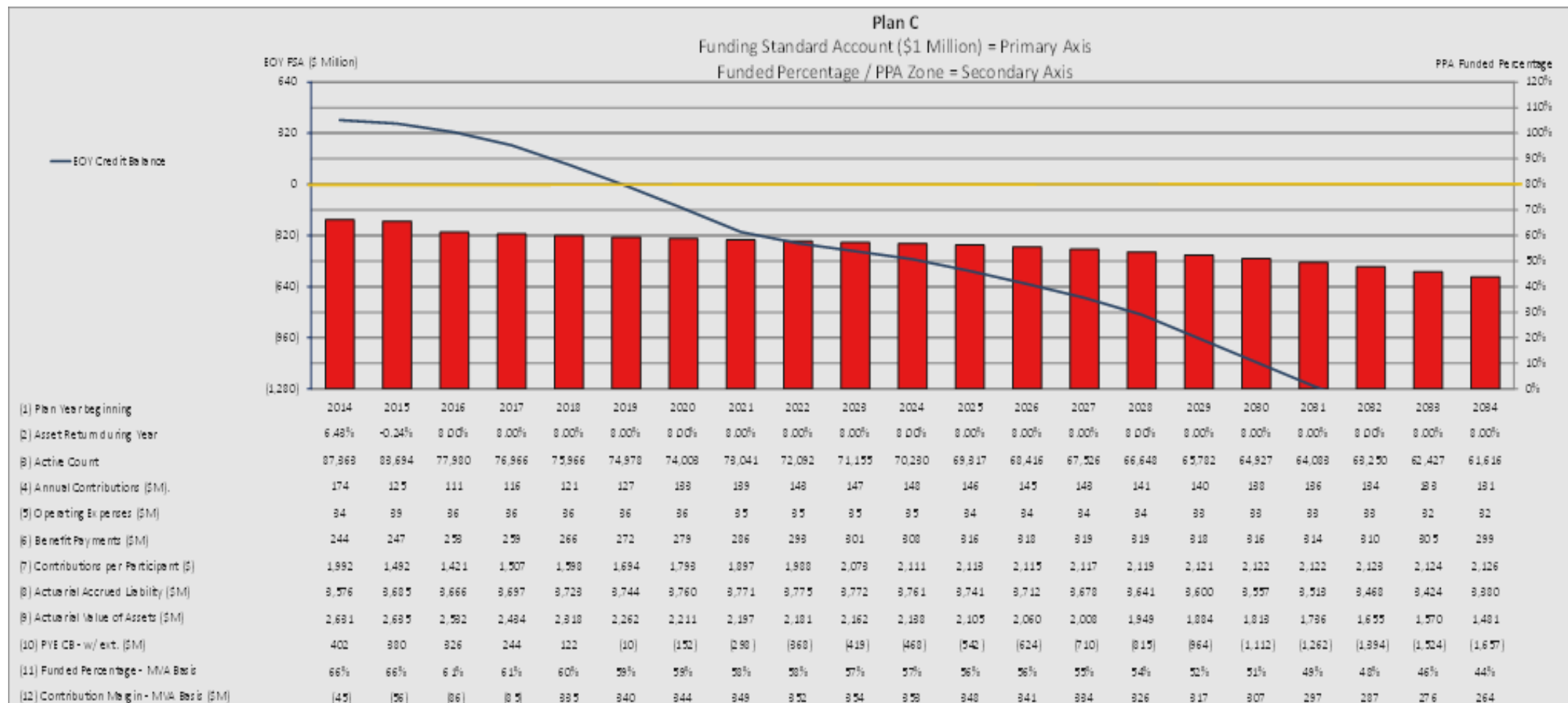
Plan B – Current Premium Levels



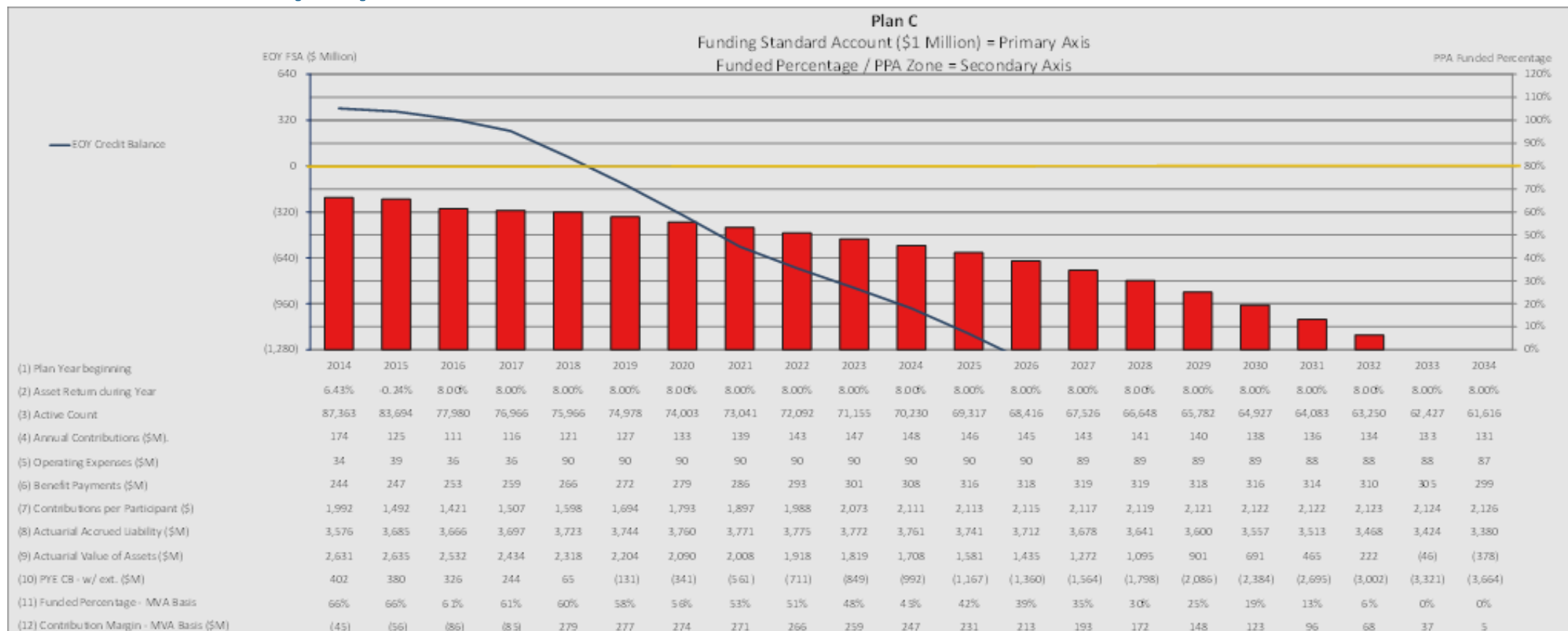
Plan B – Premiums Increase by \$150 Effective 1/1/2018



Plan C – Current Premium Levels



Plan C – Premiums Increase by \$150 Effective 1/1/2018



Questions?

