

THE MULTIEMPLOYER PENSION CRISIS

Possible Approaches for Addressing Failing Plans



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Today's Presenters

- **Linda K. Stone, MAAA, FSA (moderator)**
Senior Pension Fellow
- **Mariah Becker, MAAA, ACA, EA**
Member, Multiemployer Pension Plans Committee
- **Christian Benjaminson, MAAA, FCA, FSA, EA**
Vice Chairperson, Multiemployer Pension Plans Committee
- **Josh Shapiro, MAAA, FCA, FSA, EA**
Vice President, Pension



A Three-Part Series

- **Session 1: Background and Current State**

Monday, July 15, 2019 | Noon to 1 p.m.

2261 Rayburn House Office Building

- **Session 2: Possible Approaches for Addressing Failing Plans**

Monday, July 22, 2019 | Noon to 1 p.m.

G11 Dirksen Senate Office Building

Today's
Session

- **Session 3: Strengthening the System for the Future**

Friday, August 2, 2019 | Noon to 1 p.m.

485 Russell Senate Office Building



Topics for Discussion

- Background
- Loan Proposals
- Financial Assistance
- Early PBGC Intervention
- Sources of Funding
- Benefit Reductions



Background

- Basic Characteristics of Plans
- Causes of Crisis
- Overview of System
 - Green zone plans
 - Endangered / critical plans
 - Critical and declining plans
- Pension Benefit Guaranty Corporation (PBGC) Solvency



How The Current Situation Developed

Median Results for Multiemployer Pension Plans: 2002 to 2016

Median Results <i>Based on Form 5500 Data</i>	Funded Percentages		Annualized Returns	Average Contrib. Rate	Demographic Maturity Ratio	
	2002	2016	2002-2016	2002-2016	2002	2016
2016 Zone Status	2002	2016	2002-2016	2002-2016	2002	2016
All Plans	75%	83%	5.3%	x 2.6	1.0	1.7
Critical & Declining	76%	52%	5.3%	x 2.9	1.7	6.4
Critical	73%	66%	5.2%	x 2.9	1.0	2.0
Endangered	68%	71%	5.1%	x 2.7	1.0	1.6
Green Zone	77%	90%	5.4%	x 2.4	0.8	1.4

- Source: Horizon Actuarial study of Form 5500 data. See following exhibits for more detail.
- Conclusions supported by Segal Consulting study of Form 5500 data done in 2018.
See pages 21-34: <https://nccmp.org/wp-content/uploads/2018/09/Appropriateness-of-Current-Assumptions.pdf>



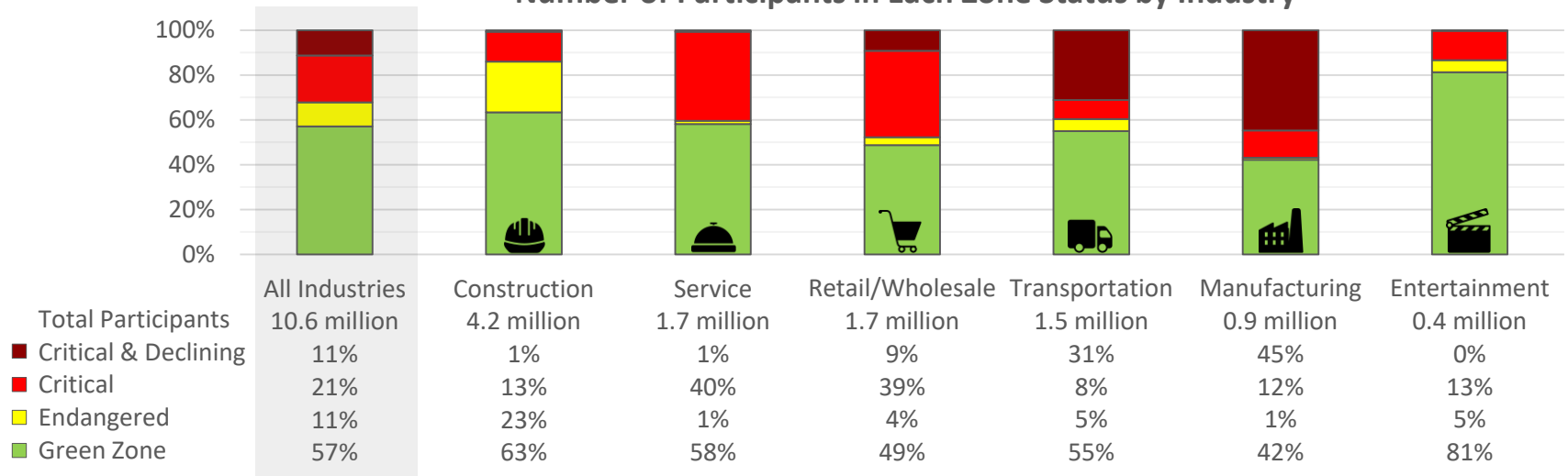
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Zone Status by Industry

Number of Participants in Each Zone Status by Industry

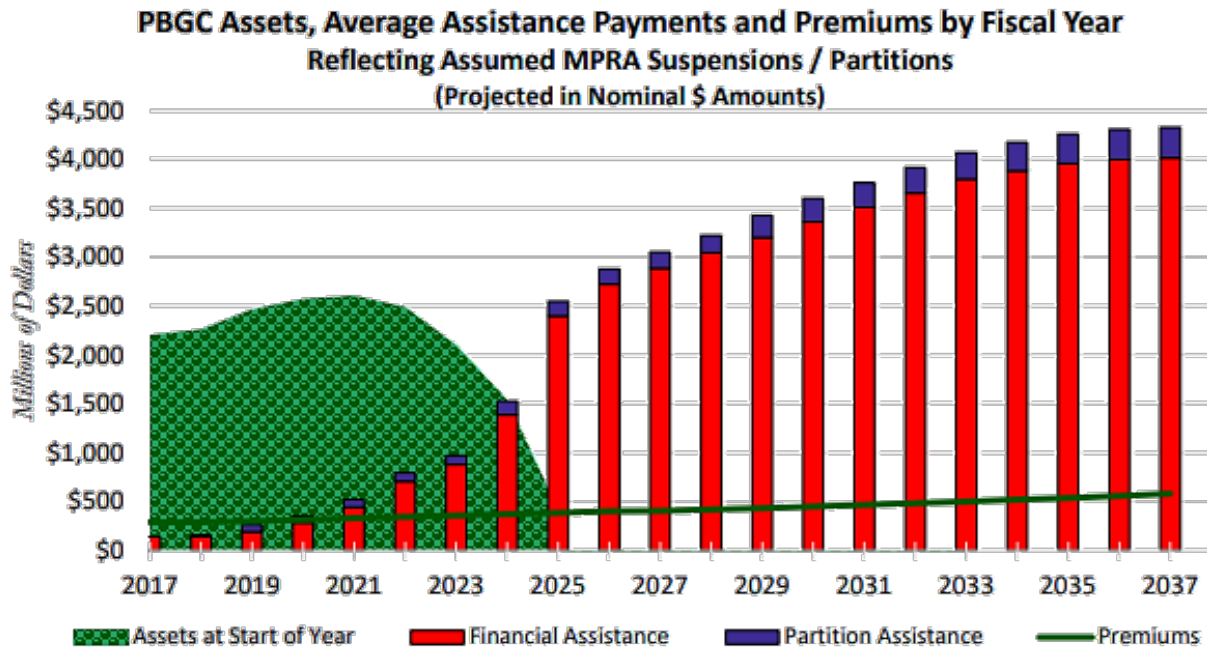


Source: Horizon Actuarial study of 2016 Form 5500 data

- Percentages may not sum to 100% due to rounding
- Approximately 0.2 million participants are covered in industries other than those shown in the chart above



PBGC Multiemployer Fund Projection



Loan Proposals

- Program Components
- How Loans Could Help Plans
- Existing Proposals
- Considerations
 - ▣ Sources of cost
 - ▣ Likelihood of repayment
 - ▣ Implementation
 - ▣ Budget scoring



Financial Assistance

- Approaches
 - ▣ Cash infusion into plans
 - ▣ Removal of liabilities from plans
- Issues
 - ▣ Eligibility criteria
 - ▣ Amount of assistance
 - ▣ Role of orphans
 - ▣ Duration of program
 - ▣ Automatic versus discretionary
- Perspectives



Early PBGC Intervention

- Current Law
 - ▣ PBGC action primarily occurs when plan assets exhausted
 - ▣ Low guarantee level
 - ▣ Other tools limited
- Potential Changes
 - ▣ PBGC intervention prior to insolvency
 - ▣ Higher guarantee level
 - ▣ Ability to fully take over plans
 - ▣ Expanded proactive tools (facilitated mergers, partition, etc.)
- Role of PBGC Discretion



Sources of Funding

- General Treasury Revenues
- Increased PBGC Premiums
 - ▣ Fixed dollar premium
 - ▣ Variable rate premium
- Deductions From System-Wide Benefits
- Taxes on Stakeholders
 - ▣ Employers
 - ▣ Active participants
 - ▣ Unions



Benefit Reductions

- Possible Framework
 - Automatic cuts for declining plans
 - Tied to other relief measures (loans, liability removal, etc.)
 - Trustee discretion
 - Component of early PBGC intervention
- Approaches
 - Flat reduction
 - Varies by participant characteristics
 - Impact of past benefit provisions
- Perspectives



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Next
Session

Slides available at <https://www.actuary.org/category/site-section/public-policy/pension>



Questions?

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