Multiple Challenges: Pension Actuaries Outline Options for Honoring PBGC Multiemployer Program Guarantee

WASHINGTON – A new issue brief from the Pension Practice Council of the American Academy of Actuaries, *Honoring the PBGC Guarantee for Multiemployer Plans Requires Difficult Choices*, lays out the hard choices multiemployer plans, regulators, and policymakers will face to honor the Pension Benefit Guaranty Corporation’s guaranteed minimum payments to participants under its multiemployer program.

Unless significant changes are made, the program is projected to become insolvent in approximately eight years, after which it would be unable to make the promised payments. “Recent changes aimed at bolstering the multiemployer program’s financial condition may have improved its position going forward, but not nearly enough to support existing guarantees,” said Academy Senior Pension Fellow Ted Goldman. “None of the remaining choices available to ensure the guarantees is without disadvantages, and all of them require sacrifices.”

To address the program’s financial condition, in 2014 Congress passed and President Obama signed into law the Multiemployer Pension Reform Act (MPRA), which increased per-participant program premiums, established a process for plans to apply for benefit suspensions, and made other program changes. The program continues to be challenged, however, by inadequate plan premium levels and employer withdrawal liability payments, plan contribution and investment strategies that have been a factor in lower-than-needed revenues, declining plan contribution bases, changes within multiemployer plan industries, and the effects of the Great Recession.

The Pension Practice Council’s issue brief outlines options for addressing the program’s financial condition, noting that all have upsides and downsides:

- **Changes in premiums.** To avoid insolvency over the 20-year projection period through further premium changes alone would necessitate, at a minimum, a six-fold
increase in premiums, but increases could cause additional stress to distressed plans and motivate a shift toward defined contribution plans that weakens the program.

- **Changes in premium structures.** If flexibility were enabled, premiums could change from a flat per-participant rate to another structure such as a variable rate or a withholding of premium from withdrawing employers or from payments made to participants. Each alternative structure has advantages and drawbacks.

- **Other legislative approaches.** Lawmakers could authorize general revenue, new targeted taxes on transactions, asset transfers from the single-employer PBGC program, or combination of the PBGC single employer and multiemployer programs, to address the multiemployer program’s financial condition. Each of these options introduces controversial issues that would impact various stakeholders in different ways.

Download the issue brief by clicking on the “Public Policy” tab at [www.actuary.org](http://www.actuary.org) and visiting the issue brief section under “Pension.”

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