

# PBGC Annual Report Shows Improvement in Single-Employer Program and Deterioration in Multiemployer Program

The Pension Benefit Guaranty Corporation on November 17, 2014 released its [Annual Report](#), which showed that [PBGC's deficit increased to about \\$62 billion in Fiscal Year 2014, largely due to the declining condition of a few multiemployer plans.](#) The financial condition of the single-employer program improved with a deficit of about \$19.3 billion, down from \$27.4 billion in the previous year.



The increase in PBGC's deficit in the Annual Report is consistent with the estimates included in the FY 2013 Projections Report that was released in June. The FY 2013 Projections Report found that the insolvencies of a minority of multiemployer plans have become both more likely and more imminent.

## ***Potential Exposure and Deficit in Single-Employer Program Declines***

The deficit in the single-employer program narrowed to about \$19.3 billion, down from \$27.4 billion in 2013. The program insures the pensions of nearly 31 million workers and retirees in about 22,300 ongoing plans sponsored by private-sector

employers. The single-employer program's potential exposure to future pension losses from financially weak companies was estimated at about \$167 billion compared to about \$292 billion last fiscal year. The condition of the single-employer program continues to improve because of a stronger economy, better market returns, and an \$869 million increase in net premium income, largely because of legislative changes. In FY 2014, PBGC assumed responsibility for about 53,000 people in 97 trusted single-employer plans.

### ***Deficit for Multiemployer Program Worsens***

PBGC's multiemployer insurance program's deficit rose to \$42.4 billion, compared with \$8.3 billion last year. The program's increased deficit is largely due to the fact that several additional large multiemployer plans are expected to become insolvent within the next decade.

The multiemployer program insures the benefits of more than 10 million workers and retirees in about 1,400 plans. When multiemployer plans fail, PBGC provides financial assistance so the plans can pay benefits at no more than PBGC's statutory multiemployer benefit guarantee level. (Unlike the agency's program for single-employer pensions, PBGC does not assume responsibility for the benefit administration of insolvent multiemployer plans.) While the multiemployer program's assets would meet the needs of the current inventory of insolvent plans, assets are insufficient to cover benefits for plans expected to run out of money in the near future.

PBGC estimated in its FY 2013 Projections Report that, absent legislative changes, the multiemployer program faces a greater than 50 percent chance of insolvency by 2022; that likelihood reaches 90 percent by 2025. The failures of these plans are expected to drain PBGC's multiemployer program of its assets, leaving PBGC unable to pay guaranteed benefits. When the program becomes insolvent, the only funds available to support benefits will be the premiums that continue to be paid by

remaining plans. This would result in benefits being cut much more deeply, to a small fraction of PBGC's guarantee level.

In FY 2014, the agency paid \$97 million in financial assistance to 53 multiemployer plans covering 52,000 retirees.

### ***Working to Preserve Pensions***

PBGC actively works to preserve plans, not just wait until they fail. Some companies in bankruptcy can afford to keep their plans, and PBGC works to see that they do meet their obligations. In FY 2014, W.R. Grace, American Airlines, and others emerged from bankruptcy with their plans intact; over 163,000 people are better off as a result.

### ***About PBGC's Financial Report***

PBGC's financial statements are prepared in accordance with generally accepted accounting principles in the U.S. The financial statements for FY 2014 received an unmodified audit opinion for the 22nd consecutive year. CliftonLarsonAllen LLP performed the audit under contract with PBGC's Office of Inspector General, which oversaw the audit. See the complete [Annual Report](#).

### ***About PBGC***

PBGC protects the pension benefits of more than 41 million Americans in private-sector pension plans. The agency is directly responsible for paying the benefits of about 1.5 million people in failed pension plans. PBGC receives no taxpayer dollars and never has. Its operations are financed by insurance premiums, investment income, and with assets and recoveries from failed plans. For more information, visit [PBGC.gov](http://PBGC.gov).