PBGC Multiemployer Update

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The opinions of Mr. Perlin do not necessarily reflect the views of the PBGC.

Presentation Overview

- PBGC Multiemployer Program Financials
- PBGC Projections Report
- PBGC Guidance on Plan Proposals to Satisfy Withdrawal Liability
- PBGC Proposed Rule for Terminated and Insolvent Multiemployer Plans and Duties of Plan Sponsors

PBGC Multiemployer Program Financials

ME Program Financials – 2017

Net Position September 30, 2016	**($58.8 billion)**
2017 Snapshot:	
Premium Income	$291 million
Investment Gain	($53 million)
Assets	$2.3 billion
Liabilities	($67.3 billion)
Net Position September 30, 2017	**($65 billion)**

Probable Plans

- As of September 30, 2017, PBGC expects 187 multiemployer plans will exhaust plan assets and need financial assistance to pay guaranteed benefits and reasonable plan administrative expenses

- The present value of non-recoverable future financial assistance for these 187 plans is $67.3 billion, compared to $61 billion in 2016

- The 187 plans in 2017 fall into three categories:

  1. Plans currently receiving financial assistance (72 plans, $2.7 B);
  2. Plans that had terminated but had not yet begun receiving financial assistance from PBGC (68 plans, $2.0 B); and
  3. Ongoing plans (not terminated) that PBGC expects will require financial assistance in the future (47 plans, $62.6 B)

Financial Assistance to Insolvent Multiemployer Plans

PBGC Financial Assistance to Insolvent ME Plans (1981-2017)		
Year	Plans Receiving Financial Assistance[1]	Total Amount of Financial Assistance (in thousands USD)
1981	1	311
1985	3	1,300
1990	3	1,000
1996	12	4,022
2001	22	4,526
2006	33	70,097
2012[2]	49	95,000
2014[2]	53	96,520
2017[2]	72	141,000

Sources: https://www.pbgc.gov/sites/default/files/legacy/docs/2016-Annual-Report.pdf; https://www.pbgc.gov/prac/data-books

(1) A number of plans received financial assistance in more than one year.
(2) 2012, 2014, 2017 figures rounded; total number of plans receiving assistance.

PBGC Projections Report

Projections Report

- Issued May 31, 2018

- https://www.pbgc.gov/sites/default/files/fy-2017-projections-report.pdf

- Illustrates the future financial condition of the Single-Employer and Multiemployer Programs

Projections Report

- Single-Employer Program likely to improve faster and reach a higher net surplus position compared to the projections from last year's report

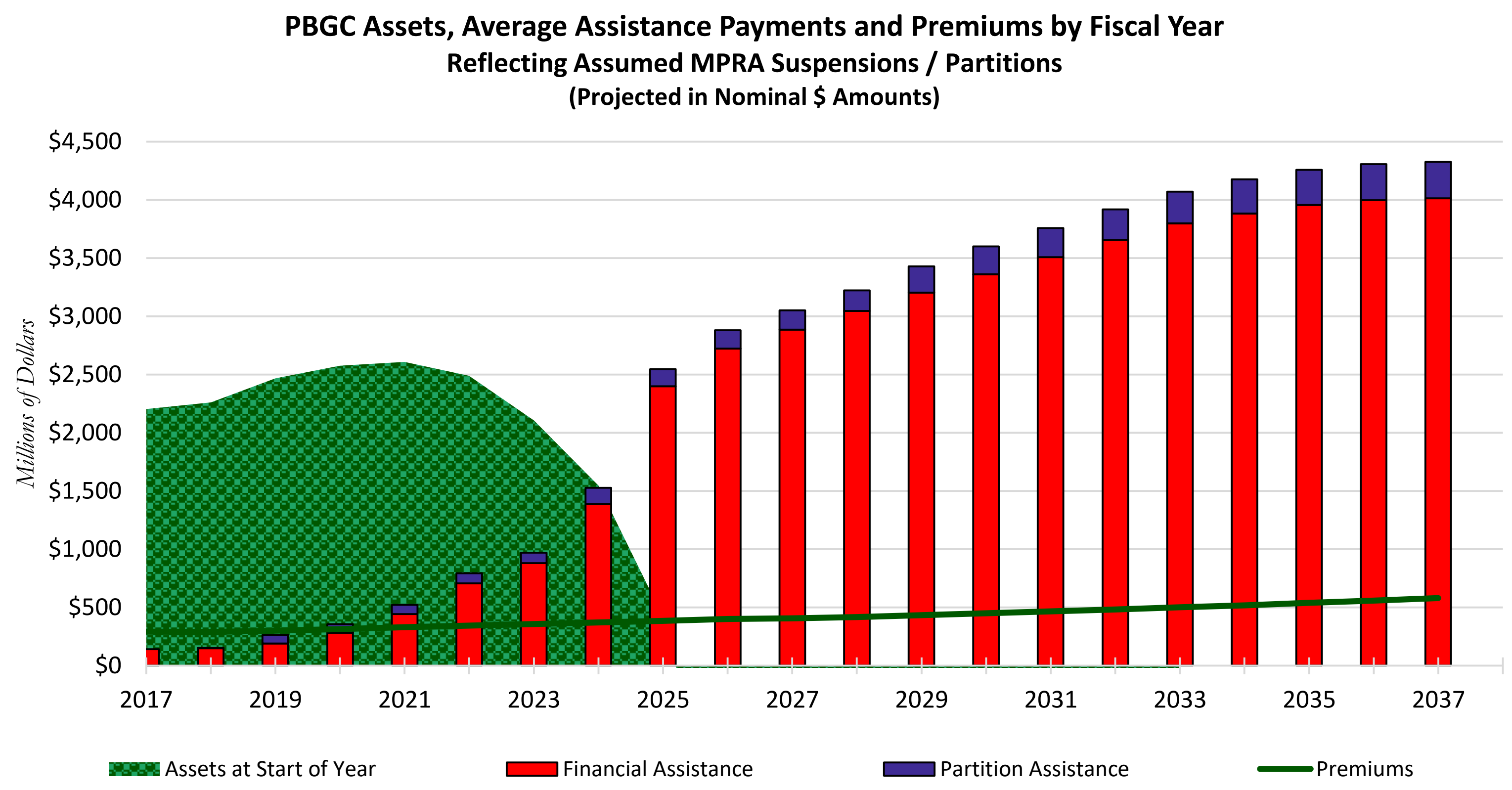
- Multiemployer Program shows a very high likelihood of insolvency during FY 2025 and near certainty of insolvency by the end of FY 2026

Projections Report

- Assuming some additional suspensions and partitions under MPRA, the FY 2027 deficit is projected to grow, in nominal terms, to a mean projected value of $89.5 billion

- The report estimates the likelihood of Multiemployer Program insolvency at over 90% in 2025 and 99% by the end of 2026

PBGC Multiemployer Fund Projection



Pension Benefit Guaranty Corporation

PBGC Guidance on Plan Proposals to Satisfy Withdrawal Liability

Guidance – ERISA Section 4224

- PBGC issued guidance on the information and factors PBGC considers when reviewing plan proposals for alternative terms to satisfy withdrawal liability, 83 FR 14524 (April 4, 2018)

- PBGC finds it helpful to see support for assertions that –
  - The proposal would retain employers in the plan long-term and secure income that may otherwise be unavailable, and
  - Absent the proposal, employers would withdraw or significantly reduce contributions in ways that would undermine plan solvency

Guidance – ERISA Section 4224

Information PBGC needs to evaluate the proposal

- How is the payment amount or alternative schedule determined
- What requirements must the employer satisfy to be eligible
- What are the expected cash flows, recoveries of withdrawal liability, and other assumptions under statutory rules versus the proposal
- Information on the composition of contributing employers

Guidance – ERISA Section 4224

Factors PBGC considers in its review of the proposal

- The proposal is in the interests of participants and beneficiaries
- The proposal does not create an unreasonable risk of loss to PBGC
- The proposal is otherwise consistent with ERISA and PBGC's regulations
- The proposal maximizes projected contributions and the net recovery of withdrawal liability compared to the statutory rules
- The assumptions used in the proposal are supported by credible data
- The proposal is reasonable in scope and applies uniformly to all employers

Guidance – ERISA Section 4224

PBGC has an active informal consultation program –

- Trustees and advisors are encouraged to reach out to PBGC staff to discuss how to proceed with alternative withdrawal liability rule request

- Can help expedite the decision process

PBGC Proposed Rule for Terminated and Insolvent Multiemployer Plans and Duties of Plan Sponsors

Proposed Rule – Plan Sponsor Duties

- Proposed Rule published at 83 FR 32815 (July 16, 2018)
- Insolvency Notices and Updates – The current rule requires a plan that is insolvent or is expected to be insolvent for a plan year to provide a notice of insolvency to PBGC and to participants and beneficiaries. For each insolvency year, the plan must also provide a notice of insolvency benefit level to PBGC and participants and beneficiaries in pay status or reasonably expected to be in pay status.
- Proposed Rule – The plan would be able to provide one combined notice for the same insolvency year. And most of the annual updates to the notice of insolvency benefit level would no longer be required.

Proposed Rule – Plan Sponsor Duties

- Annual Actuarial Valuation – The current rule requires a plan terminated by mass withdrawal to have performed an annual actuarial valuation of plan assets and liabilities. A plan can perform an actuarial valuation every 3 years if the present value of the plan's nonforfeitable benefits is $25 million or less

- Proposed Rule – Terminated plans and insolvent plans would file annual actuarial valuations with PBGC. A plan could perform an actuarial valuation every 5 years if the present value of the plan's nonforfeitable benefits is $50 million or less.

- Plans with nonforfeitable benefits of $50 million or less receiving financial assistance from PBGC could comply with the actuarial valuation requirement by filing alternative information specified in valuation instructions on our website

Proposed Rule – Plan Sponsor Duties

- Withdrawal Liability Payments – Terminated plans and insolvent plans would file information with PBGC about withdrawal liability in the aggregate and by employer, that the plan has or has not yet assessed withdrawn employers

  - For each employer not yet assessed, information would include the name of the employer and the reasons the employer has not been assessed

  - For each employer assessed, information would include the name of the employer and whether there are scheduled periodic payments or a lump sum settlement

  - Information would need to be filed within 180 days after the earlier of the end of the plan year in which the plan terminates or becomes insolvent and each plan year thereafter, unless there is no updated information to file

Thank You