



# **NCCMP Annual Conference**

## **PBGC Director Gordon Hartogensis**

*October 13, 2020*

*All remarks are off-the-record and not for attribution.*

# PBGC FY 2019 Recap

	Single-Employer	Multiemployer
FY 2019 PBGC financial position		
• Liabilities (includes “probable” losses)	\$119.4 billion	\$68 billion*
• Assets	\$128.1 billion	\$2.9 billion
• Net position	\$8.7 billion	(\$65.2 billion)
Insurable event	Plan Termination	Plan Insolvency
FY 2019 premium income	\$6.4 billion	\$310 million
FY 2019 payouts to/for retirees	\$6 billion	\$160 million
Number of covered plans	24,000	1,400
Number of participants in plans	24.7 million	10.8 million
2020 maximum annual guaranteed benefit	\$69,750 for age 65 retiree, regardless of service	\$12,870** for retiree with 30 years of service, regardless of age

\* All but \$2.8 billion are for “probable” insolvent plans.

\*\*Two-tier guarantee: 100% of the first \$3,960, 75% of the next \$11,880. Not indexed.

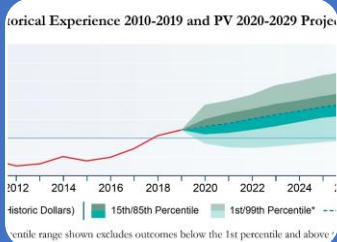
# What Is the Projections Report?

- Provides ten-year projections of the financial condition of PBGC's Single-Employer (SE) and Multiemployer (ME) Insurance Programs.
- In other words, this is a projection of what the agency's FY 2029 financial statements might reflect.
  - PBGC's Fiscal Year (FY) 2020 Annual Report will be released in mid-November.
- Projections are ***estimates, not predictions***. PBGC's forecasting models run hundreds of economic scenarios, resulting in a range of possible outcomes.

# Basis for the FY 2019 Projections Report

- Results in the FY 2019 report are based on data and assumptions set as of September 30, 2019. It also reflects legislative changes enacted in December.
- Since September 30, 2019, employment and financial markets have experienced significant fluctuations, both before and during the COVID-19 pandemic.
- These events are unlikely to materially impact the projected insolvency date of the ME Program but could impact the long-term costs of the program.
- The events could have an impact on the long-term finances of the SE Program.
- The ultimate impact of COVID-19 remains highly uncertain and is not reflected in this report.

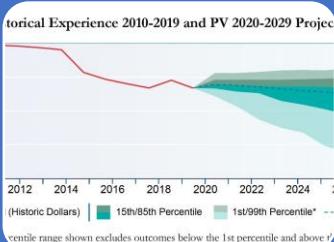
# Projections Report Highlights



SE Program: mean projected net financial position 10 years out is positive \$46.3 billion (present value), compared to positive \$26.7 billion in prior report.



Expected ME Program insolvency year is now FY 2026, compared to FY 2025 in the prior report.



ME Program: mean projected net financial position 10 years out is negative \$82.3 billion (present value), compared to negative \$66.2 billion in prior report.



# **Single-Employer Program Results**

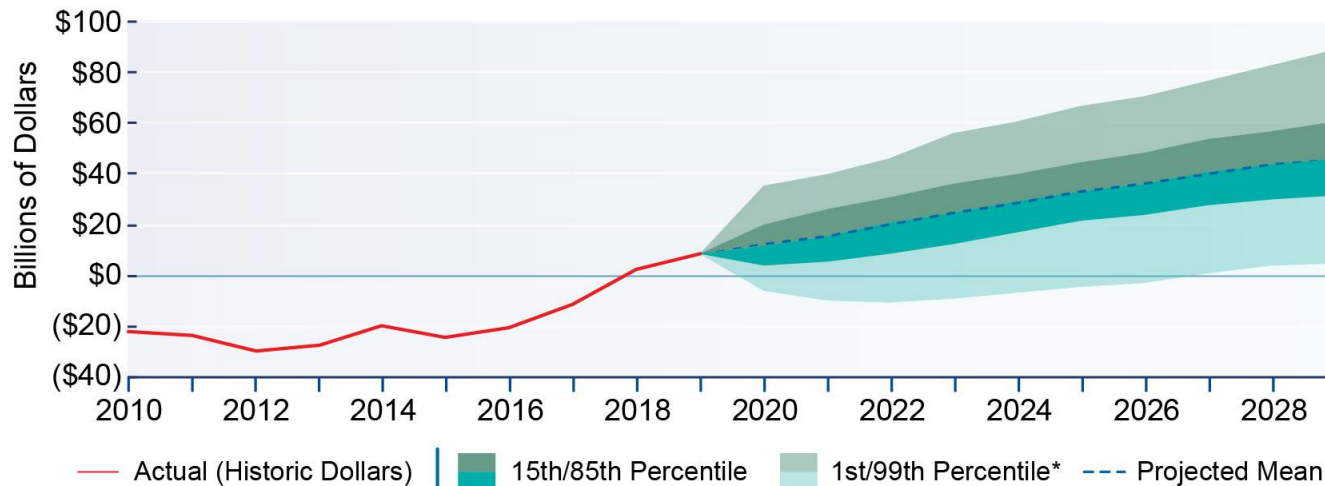
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# SE Past and Future Net Financial Position

- Continued projection of a strengthening financial position, but wide range of outcomes and the risk of very high claims remains.

**Figure 8 – Single-Employer Program Projected Net Financial Position**

**Historical Experience 2010-2019 and PV 2020-2029 Projections**



\*The 1st/99th percentile range shown excludes outcomes below the 1st percentile and above the 99th percentile.

# SE Key Outcomes

- Risk of higher claims in down economies are offset by higher variable premiums.
- Liability-driven investment strategy mitigates risk for PBGC's existing assets and liabilities for plans trusted by PBGC.

**Figure 10 – Variability in 2029 Single-Employer Net Financial Position**  
Present Value at the end of FY 2019 (\$ in billions)

	Mean	15% - 85% range	1% - 99% range
<b>PBGC net financial position</b>			
1. FY 2019 actual	\$8.7	NA	NA
2. FY 2029 projected*	\$46.3	\$31.9 - \$60.4	\$4.8 - \$88.8
<b>Present Value of expected 2019-2029</b>			
3. New claims incurred	\$15.2	\$4.8 - \$26.0	\$1.1 - \$55.3
4. Asset/Liability gain	\$6.0	(\$12.0) - \$22.9	(\$31.5) - \$57.2
5. Premiums received	\$46.8	\$30.0 - \$64.2	\$22.6 - \$87.3

\* If expressed in nominal terms, the mean projected net financial position for FY 2029 is \$57.7 billion.





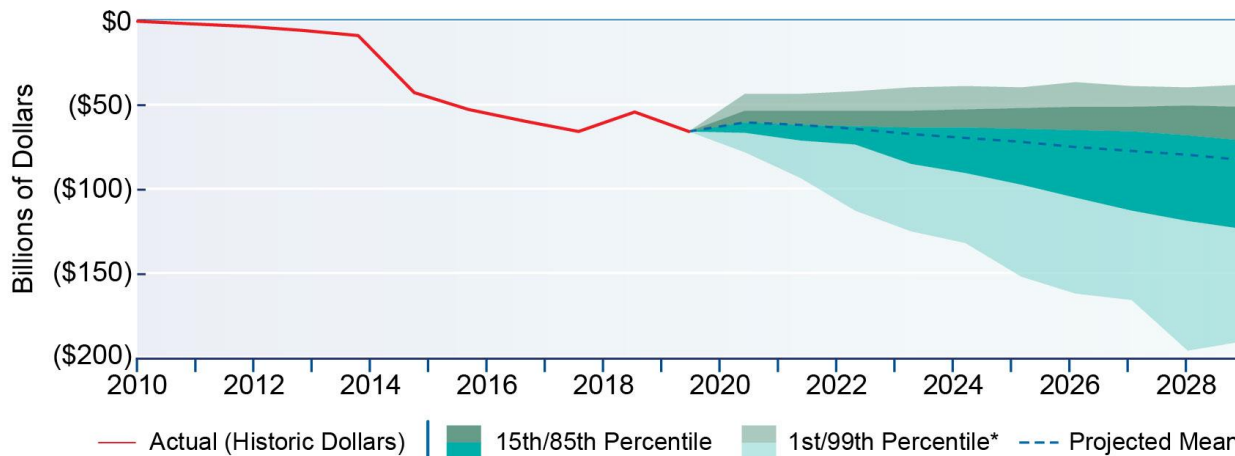
# **Multiemployer Program Results**

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# ME Past and Future Net Financial Position

- None of the 500 economic scenarios modeled result in a positive net financial position.

**Figure 3 – Multiemployer Program Projected Net Financial Position**  
Historical Experience 2010-2019 and PV 2020-2029 Projections



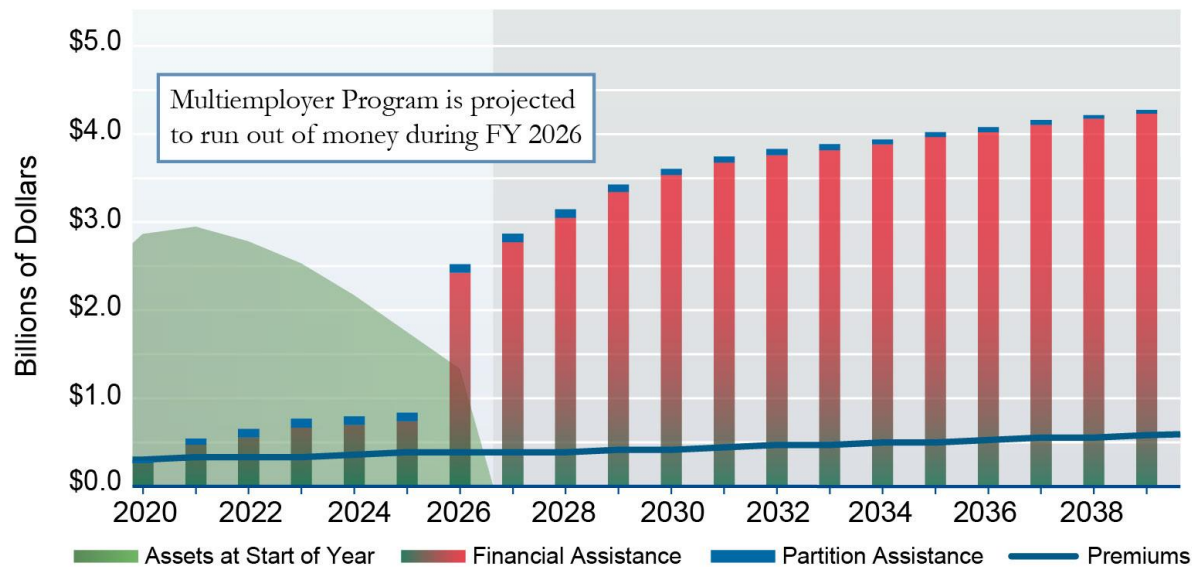
\*The 1st/99th percentile range shown excludes outcomes below the 1st percentile and above the 99th percentile.

# ME Projected Insolvency Year

- Projected insolvency year is now during FY 2026, compared to FY 2025 in the prior report, due in large part to the Bipartisan American Miners Act.

**Figure 2 – PBGC Multiemployer Fund Assets, Assistance Payments and Premiums by Fiscal Year**

Mean Results in Nominal Dollars



- Wide range of outcomes; driven by the uncertainty of future claims and interest rates.

**Figure 5 – Variability in 2029 Multiemployer Net Financial Position\***

Present Value at the end of FY 2019 (\$ in billions)

	Mean	15% - 85% range	1% - 99% range
<b>PBGC net financial position</b>			
1. FY 2019 actual	(\$65.2)	N/A	N/A
2. FY 2029 projected**	(\$82.3)	(\$123.1) - (\$50.7)	(\$189.3) - (\$37.5)
<b>Present value of expected 2019-2029</b>			
3. New claims***	\$41.2	\$10.0 - \$79.8	(\$0.5) - \$144.4
4. Financial assistance payments	\$15.3	\$13.3 - \$17.3	\$11.8 - \$19.1
5. Premiums received****	\$3.6	\$3.6 - \$3.7	\$3.5 - \$3.7

\* Estimates of program deficits and financial assistance shown assume that PBGC will provide financial assistance at the current level of guarantees. As noted previously, PBGC will be unable to provide financial assistance at the current level of the guarantee after the Multiemployer Program becomes insolvent, projected to occur in FY 2026.

\*\* If expressed in nominal terms, the mean projected net financial position for FY 2029 is negative \$100.7 billion.

\*\*\* New claims are the present value of future financial assistance at the time plan insolvency becomes probable.

\*\*\*\* Premiums plus \$2.9 billion in assets as of 9/30/19 are available to pay financial assistance during the projection period.

# ME Changes from Prior Year

- Enactment of legislation to provide federal funding for the United Mine Workers Plan provided a modest reduction in long-term PBGC liabilities but lower interest rates (about a 100 basis point decline) increase the projected deficit.

**Figure 6 – Reconciliation of Changes in Multiemployer Results**

Present Value at the end of FY 2019 (\$ in billions)

1. FY 2028 Mean Net Financial Position from FY 2018 Projections Report	(\$66.2)
2. Passage of Time	<u>(2.8)</u>
3. Expected Year 2029 Mean Net Financial Position [(1) + (2)]	(\$69.0)
4. Changes	
a) New Plan Data	\$5.8
b) Economic Assumptions	(24.1)
c) Model Improvements	(1.0)
d) Legislative Changes	<u>\$6.0</u>
e) Total Changes	(\$13.3)
5. FY 2029 Mean Net Financial Position [(3) + (4e)]	(\$82.3)
6. Adjustment from Present Value to Nominal Value	(\$18.4)
7. Nominal Value of FY 2029 Mean Net Financial Position [(5) + (6)]	(\$100.7)

Note: The order of changes impacts the magnitude of each change.



## Next Steps



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# Framework for Multiemployer Pension Reform

- Goals for reform:
  - Protect retirees and prevent the collapse of the multiemployer pension system.
  - Save the federal backstop.
  - Prevent a future crisis.
- Any solution should also:
  - Raise the federal pension guarantee limit to improve retirement security.
  - Fix the defects in the system to prevent the crisis from recurring.
  - Give PBGC the tools to mitigate risks.
  - Limit the burden on taxpayers.



# Questions

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