# NCCMP Lawyers and Administrators Meeting

## Jim Donofrio, Chief Negotiating Actuary

**April 7, 2021**

Any views of Jim Donofrio are his alone and do not necessarily reflect the views of PBGC.

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

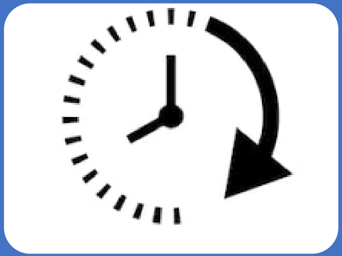
PBGC Pension Benefit Guaranty Corporation

# FY 2020 Recap

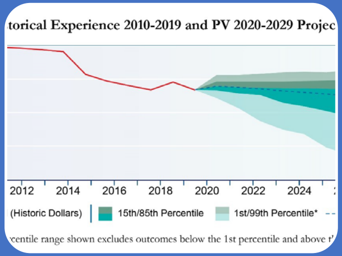
| | Single-Employer | Multiemployer |
|---|---|---|
| FY 2020 PBGC financial position | | |
| • Total assets | $143.5 billion | $3.1 billion |
| • Total liabilities (includes “probable” losses) | $128.0 billion | $66.9 billion* |
| • Net position | $15.5 billion | ($63.7 billion) |
| Insurable event | Plan Termination | Plan Insolvency |
| FY 2020 premium income | $5.7 billion | $322 million |
| FY 2020 benefit payments/financial assistance | $6.1 billion | $173 million |
| Number of covered plans | 23,200 | 1,400 |
| Number of participants in covered plans | 23.5 million | 10.9 million |
| 2021 maximum annual guaranteed benefit | $72,409 for age 65 retiree, regardless of service | $12,870** for retiree with 30 years of service, regardless of age |

* All but $3.0 billion are for “probable” insolvent plans.
**Two-tier guarantee: 100% of the first $3,960, 75% of the next $11,880. Not indexed.

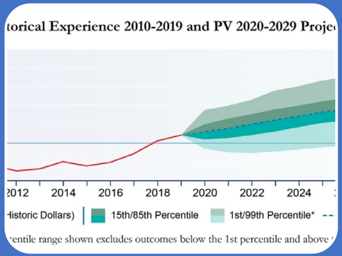
# 2019 Projections Report Highlights



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 $65.2 billion in prior report.




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.



Pension Benefit Guaranty Corporation

# Funded Status of Multiemployer Pension Plans

**Table M-10**
**Aggregate Funding of Underfunded PBGC-Insured Plans[1]**
**(1980-2017)**
**Multiemployer Program**

| Beginning of Year | Assets *(in millions)* | Liabilities[2] *(in millions)* | Underfunding *(in millions)* | Funding Ratio | Assumed Discount Rate |
|---|---|---|---|---|---|
| 2008 | 410,109 | 620,276 | 210,167 | 66% | 5.37% |
| 2009 | 325,936 | 671,725 | 345,788 | 49% | 5.38% |
| 2010 | 364,674 | 755,701 | 391,027 | 48% | 4.52% |
| 2011 | 395,062 | 796,142 | 401,080 | 50% | 4.26% |
| 2012 | 391,729 | 963,957 | 572,228 | 41% | 2.95% |
| 2013 | 422,122 | 1,033,237 | 611,115 | 41% | 2.68% |
| 2014 | 462,543 | 958,255 | 495,712 | 48% | 3.54% |
| 2015 | 477,342 | 1,115,464 | 638,122 | 43% | 2.46% |
| 2016 | 466,314 | 1,105,074 | 638,760 | 42% | 2.81% |
| 2017 | $494,709 | $1,167,696 | $672,987 | 42% | 2.55% |

Source: Form 5500 filings
[1] Data presented excludes plans currently receiving PBGC Financial Assistance.
[2] Liabilities represent vested liabilities and have been adjusted annually, based on an assumed mortality table and durations, to reflect an interest rate, as of the beginning of the calendar year, that estimates the cost to purchase an annuity.

Due to rounding of individual items, numbers may not add up across columns.

Given the level of underfunding in the multiemployer pension system….

**Table M-18**
**Plans by Zone Status (2009-2017)**
**Multiemployer Program**

| ZONE STATUS[1] | Plan Risk Status by Year *(plan count)* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Deep Red | n/a | n/a | n/a | n/a | n/a | n/a | 84 | 108 | 114 |
| Red | 439 | 385 | 322 | 329 | 343 | 323 | 215 | 213 | 191 |
| Orange | 128 | 48 | 18 | 20 | 13 | 5 | 5 | 5 | 4 |
| Yellow | 298 | 228 | 212 | 228 | 206 | 163 | 150 | 136 | 129 |
| Green | 485 | 672 | 770 | 727 | 728 | 788 | 802 | 780 | 796 |
| Total Classifiable Ongoing Plans[2] | 1,350 | 1,333 | 1,322 | 1,304 | 1,290 | 1,279 | 1,256 | 1,242 | 1,234 |
| **ZONE STATUS[1]** | **Plan Risk Status by Year** *(% of Plans)* | | | | | | | | |
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Deep Red | n/a | n/a | n/a | n/a | n/a | n/a | 6.7% | 8.7% | 9.2% |
| Red | 32.5% | 28.9% | 24.4% | 25.2% | 26.7% | 25.3% | 17.1% | 17.1% | 15.5% |
| Orange | 9.5% | 3.6% | 1.4% | 1.5% | 1.1% | 0.4% | 0.4% | 0.4% | 0.3% |
| Yellow | 22.1% | 17.1% | 16.0% | 17.5% | 15.8% | 12.7% | 11.9% | 11.0% | 10.5% |
| Green | 35.9% | 50.4% | 58.3% | 55.8% | 56.4% | 61.6% | 63.9% | 62.8% | 64.5% |
| Total System | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Source: Form 5500 filings
[1] Zone statuses are commonly referred to by colors. These relationships are as follows: Neither Endangered or Critical are Green, Endangered are Yellow, Seriously Endangered are Orange, Critical are Red and Critical & Declining are Deep Red.
[2] Classifiable Ongoing Plans exclude plans which have terminated or are currently receiving Financial Assistance and plans that did not provide zone status.
In 2015, the Critical & Declining (C&D) status was introduced as a subset of the Critical status.

….and the number of plans certified in Critical status, significant risk remains for workers, retirees and participating employers.

# Multiemployer Pension Reform

History of Recent Multiemployer Pension Reform Proposals

- Casey Bill
- Multiemployer Pension Reform Act of 2014
- Joint Select Committee on Multiemployer Pension Plans
- Original Butch Lewis – Federal Loans
- Grassley Alexander
- American Rescue Plan Act of 2021

# ARPA at a Glance

- Substantial, permanent funding relief for single-employer pension plans
- Expansion of targeted funding relief for community newspapers
- Multiemployer pension funding relief patterned after WRERA
- Authorization of a new Special Financial Assistance program to be administered by PBGC
  - Financed by appropriation of general revenues
  - Plan Eligibility
    - Critical and Declining status (2020 – 2022)
    - Recently insolvent but not terminated
    - MPRA benefit suspensions implemented
    - Very mature, severely underfunded critical status plans (2020 – 2022)
  - Amount of Special Financial Assistance
    - Required for the plan to pay all benefits projected through 2051
    - Paid in a lump sum
  - Conditions may be imposed on plans accepting SFA
  - Regulations/guidance for applications within 120 days of enactment
  - Applications must be submitted by end of 2025

# Impact of SARS-Cov-2 on PBGC

- PBGC adopted a maximum telework policy in March 2020
  - Productivity and responsiveness maintained
- Single-employer casework has not increased as initially expected
  - CARES Act deferral of required minimum contributions has reduced our visibility into financial distress among plan sponsors
    - Number of reportable event filings for missed contributions has been less than feared
  - Enactment of economic support and macroeconomic factors may be implicated in better-than-expected conditions
    - Especially the persistence of ultra-low interest rates
- Range of impact on multiemployer plans appears to be extremely broad
- The Society of Actuaries data suggests that the impact of excess deaths due to the pandemic on the funded status of defined benefit pension plans is relatively modest
  - Preliminary analysis of PBGC's trusteed (single-employer) plans is consistent with this observation

# Impact of SARS-Cov-2 on General Population

**Table 3**

Actual to Expected Deaths: Mar 22, 2020 to Dec 26, 2020 as of Feb 03, 2021

| | Female | | | Male | | |
|---|---|---|---|---|---|---|
| **Age** | **Total** | **COVID** | **Exc. COVID** | **Total** | **COVID** | **Exc. COVID** |
| < 1 | 92.8% | 0.2% | 92.6% | 90.6% | 0.3% | 90.3% |
| 1-4 | 86.8% | 0.7% | 86.1% | 94.2% | 0.8% | 93.3% |
| 5-14 | 94.1% | 1.5% | 92.6% | 104.6% | 1.4% | 103.2% |
| 15-24 | 117.0% | 3.5% | 113.5% | 123.1% | 2.0% | 121.1% |
| 25-34 | 116.6% | 6.1% | 110.5% | 120.4% | 4.5% | 115.9% |
| 35-44 | 122.0% | 9.2% | 112.9% | 126.9% | 9.8% | 117.1% |
| 45-54 | 121.0% | 12.3% | 108.7% | 126.9% | 15.4% | 111.5% |
| 55-64 | 114.9% | 13.4% | 101.5% | 119.7% | 15.5% | 104.1% |
| 65-74 | 119.1% | 16.2% | 102.8% | 121.4% | 18.8% | 102.6% |
| 75-84 | 119.9% | 17.3% | 102.6% | 122.2% | 20.4% | 101.7% |
| > 84 | 118.4% | 16.7% | 101.7% | 118.4% | 18.6% | 99.7% |
| All Ages | 118.4% | 15.7% | 102.7% | 120.9% | 17.2% | 103.7% |

Source: Society of Actuaries report 2020 Excess Deaths in the U.S. General Population by Age and Sex, February 2021.

# FELRA – UFCW Settlement

Background

- Plan covers 50,000 grocery store workers in the Washington, D.C. area
  - The vast majority of active participants work for the two dominant employers – Giant and Safeway
- The FELRA-UFCW plan has been approaching insolvency for many years
  - There is a high proportion of orphans due to the bankruptcies of several large grocery retailers
- In 2012, the bargaining parties agreed to restructure pension benefits:
  - The FELRA-UFCW legacy plan was frozen
  - Future benefit accruals were provided through a newly established DB pension program, the Mid-Atlantic plan
  - The same set of trustees served on the Boards of both plans
  - Contributions were allocated between the two plans in the CBAs associated with these plans

# FELRA – UFCW Settlement

PBGC Concerns

- This arrangement caused an immediate diversion of contributions from the legacy FELRA-UFCW plan to the future-service Mid-Atlantic plan
  - Several years after the implementation of this arrangement, the future-service plan was not achieving the funded status goals for the MAP Plan articulated in the CBAs and additional contributions were diverted from the legacy plan to the future-service plan
  - Through 2020, the allocation of contributions specified in the CBAs implementing the SPILL resulted in the diversion of at least $100 million in contributions
- The CBAs also specified that the withdrawal liability exposure of employers would not be less than had existed in 2012 before implementation of the SPILL.
  - In the absence of such specification, the reduction in contribution rates applicable to the legacy plan would eventually flow through to lower withdrawal liability exposure for the employers

# FELRA – UFCW Settlement

SPILLs

- PBGC is aware of some half-dozen other, similar instances of what we have begun referring to as SPILLs:
  - Split
  - Plan arrangements that
  - Isolate
  - Legacy
  - Liability
- The agency's concern is that the ongoing funding of the legacy plan is dependent on the support of employers and workers who have a decreasing stake in its stability as time goes on
- The arrangement threatened to increase costs needlessly, both for PBGC's Multiemployer Insurance Program and for participants and employers
- The arrangement is somewhat suspect in that all the bargaining parties' objectives can be achieved without creating a new plan EXCEPT the systematic reduction in the contributing employers' exposure to withdrawal liability (absent the specific provisions preventing such reduction negotiated in the CBAs associated with the FELRA legacy plan).

# FELRA – UFCW Settlement

Salient terms of the December 31, 2020, Settlement

- The FELRA-UFCW legacy plan and the Mid-Atlantic future-service plan were recombined
  - This significantly extended the solvency of the legacy plan
  - Reducing the expected loss of PBGC's insurance program (i.e., other plans/premium payers)
- The recombined plan was terminated
- The dominant employers agreed to settle their withdrawal liability
  - Payments totaling $56 million per year are payable for the 25-year period 2021 to 2045
  - Reducing the amount of financial assistance to be paid by PBGC's insurance program
- New variable benefit pension plans were established to provide ongoing benefit accruals to active participants





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# Thank You!

For official PBGC statements, please contact PBGC Public Affairs at 202-229-4343 or PBGCExternalAffairs@PBGC.gov.