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# 2023 World Pension Alliance and Transatlantic Conference

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*June 14, 2023*



# Agenda

- Overview of U.S. Retirement System
- PBGC's Unique Role
- American Rescue Plan Act of 2021
- Looking Forward: PBGC's Projections



# **Overview of U.S. Retirement System**

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# U.S. Retirement System

## Major Components of the U.S. Retirement System



### Social Security

- Covers nearly all workers
- Paid for by payroll taxes
- Based on lifetime earnings
- Benefits payable for life

### Public Sector Employer-Sponsored Retirement Plans

- Covers:
  - Federal
  - State
  - Local government employees
- Benefit structures and funding vary

### Individual Retirement Accounts (IRAs)

- Tax-advantaged voluntary individual savings accounts

### Private Sector Employer-Sponsored Retirement Plans

- Voluntary system of plans offered by private-sector employers
- Defined benefit (DB) & defined contribution (DC)
- PBGC insures most private-sector DB plans

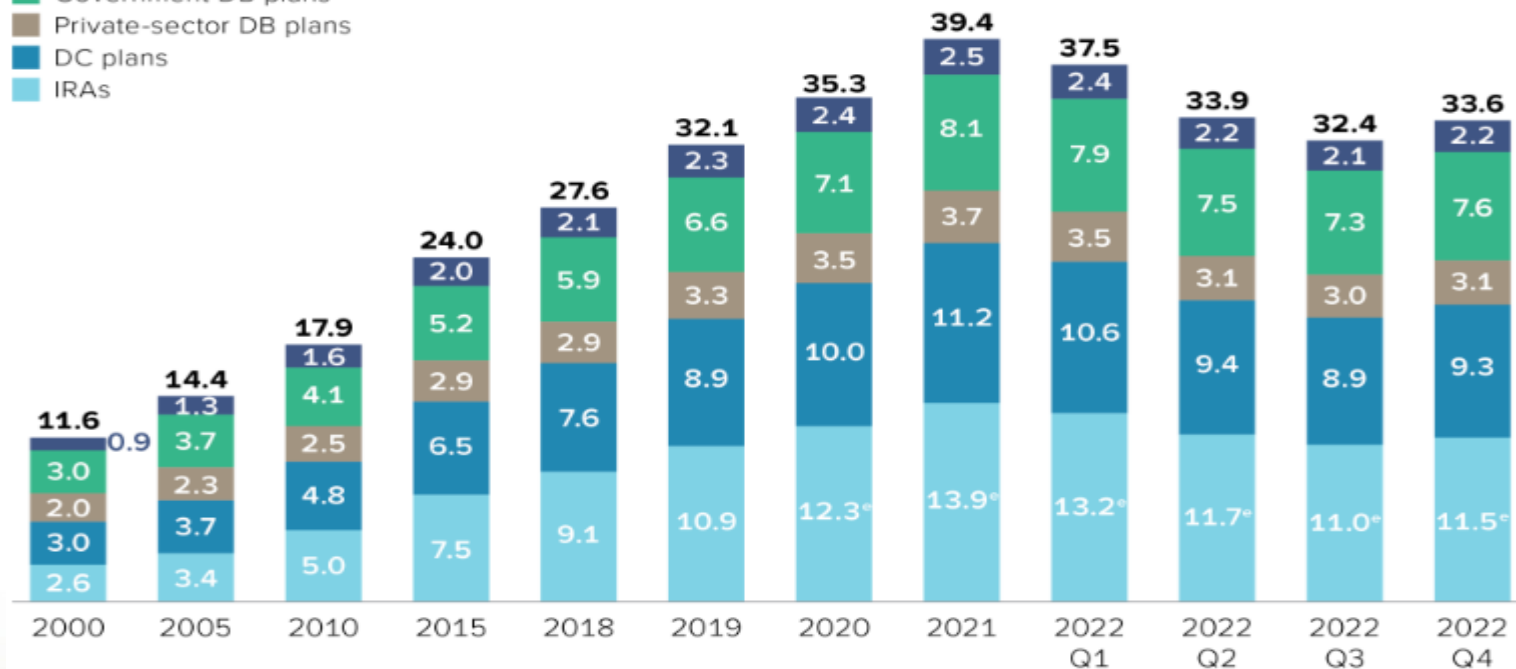


# U.S. Retirement Market Assets: December 31, 2022

## US Total Retirement Market Assets

Trillions of dollars, end-of-period, selected periods

- Annuity reserves
- Government DB plans
- Private-sector DB plans
- DC plans
- IRAs



Private-sector DB plans

<sup>e</sup> Data are estimated.

Note: For definitions of plan categories, see Table 1 in "The US Retirement Market, Fourth Quarter 2022." Components may not add to the total because of rounding.

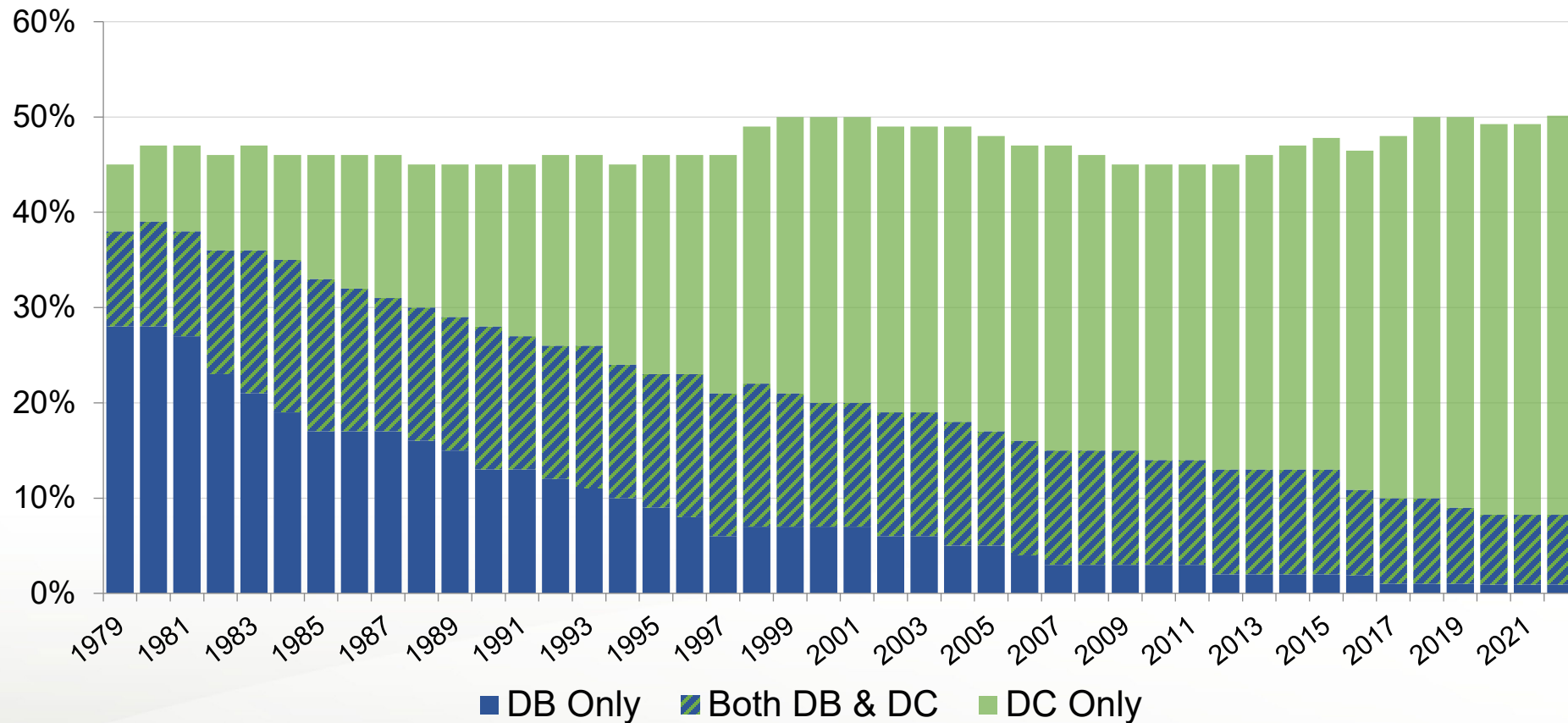
Sources: Investment Company Institute, Federal Reserve Board, Department of Labor, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division



Pension Benefit  
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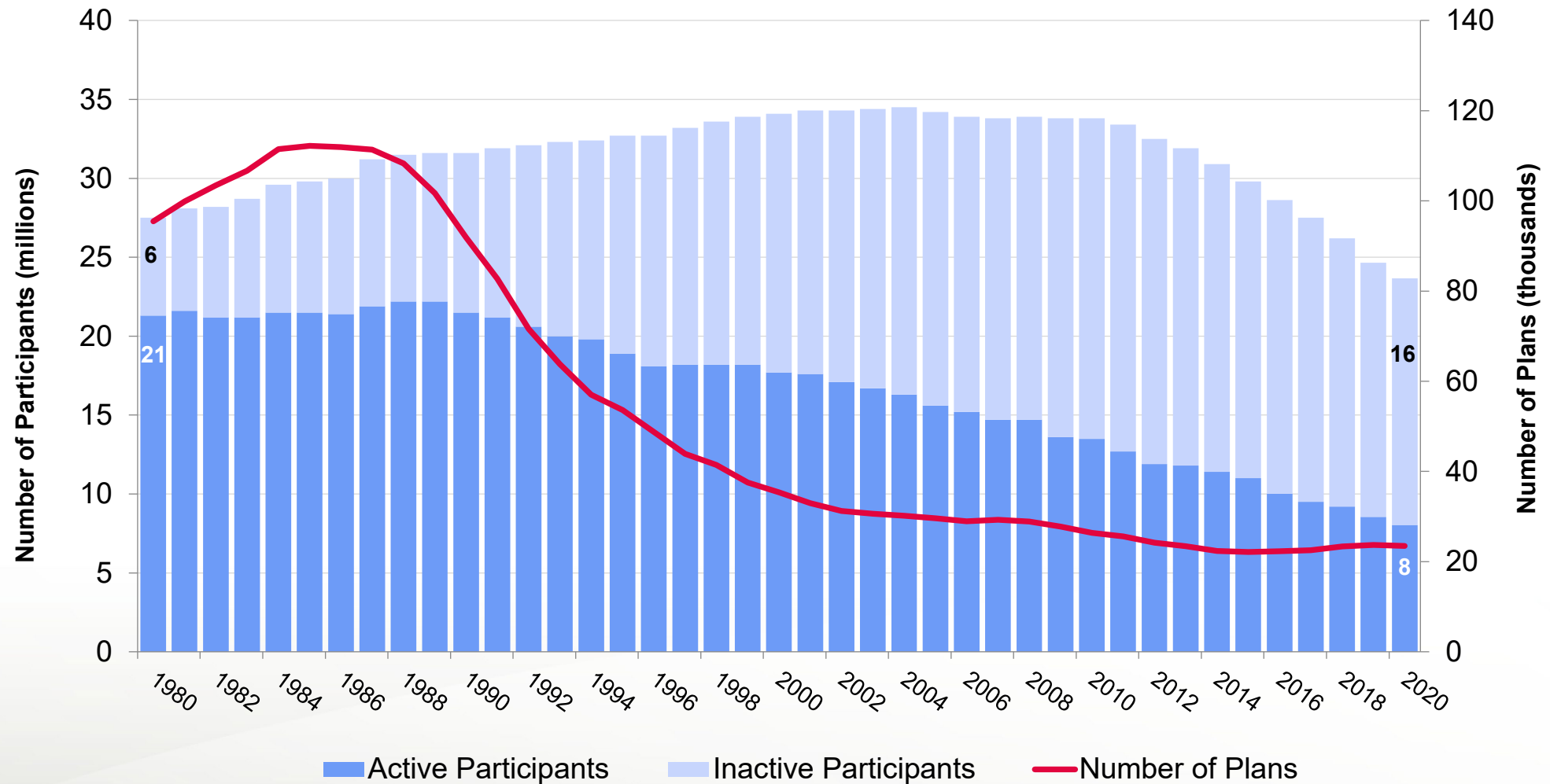
# U.S. Private-Sector Retirement Plan Coverage

Percent of U.S. Private-Sector Workers Covered by an Employer-Provided Retirement Plan

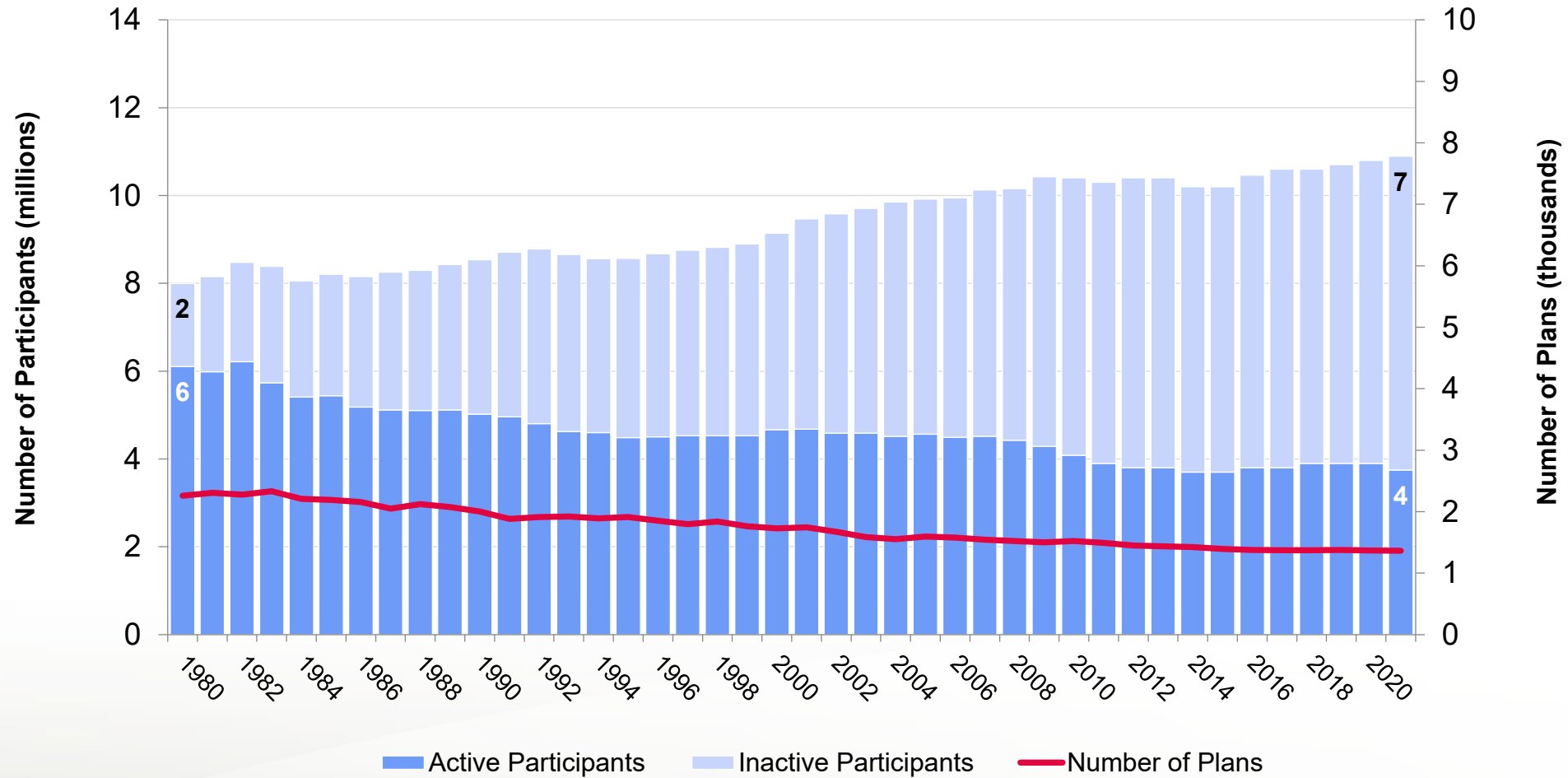


Source: EBRI through 2019 then extrapolated to 2022 using Bureau of Labor Statistics National Compensation Survey information.

# PBGC-Insured Participants and Plans Single-Employer Plans Only



# PBGC-Insured Participants and Plans Multiemployer Plans Only



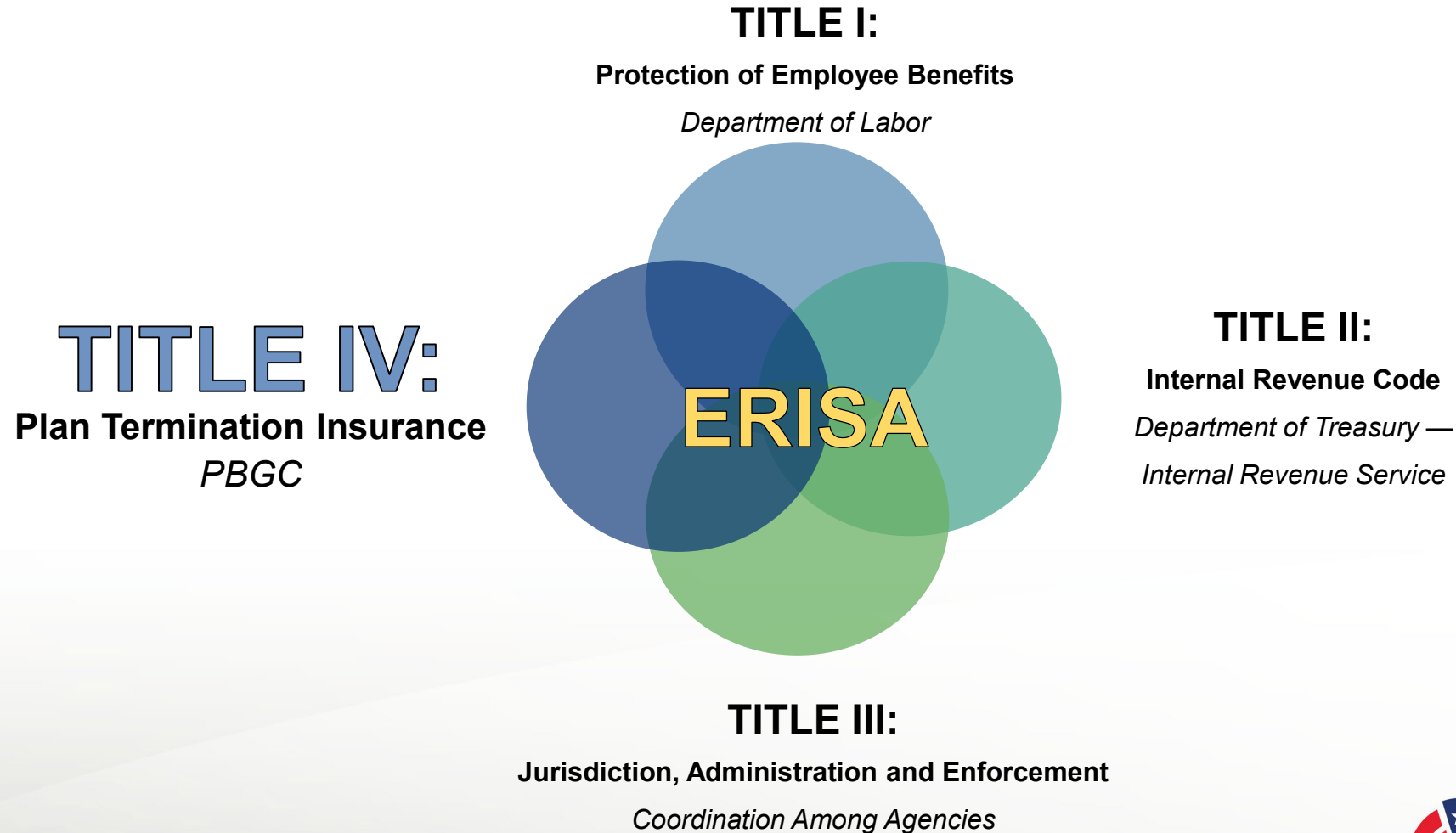


# PBGC's Unique Role

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# U.S. Regulation of Private Pensions

## Employee Retirement Income Security Act of 1974 (ERISA)



# PBGC's Statutory Purposes

- Encourage the continuation and maintenance of voluntary private pension plans
- Provide for timely and uninterrupted payment of pension benefits to participants and beneficiaries
- Maintain premiums at the lowest level consistent with its obligations
- Two separate programs:
  - [Single-Employer Program](#): PBGC takes over and administers plans that terminate without sufficient assets
  - [Multiemployer Program](#): PBGC provides financial assistance to insolvent plans so they can continue providing benefits

# Two Types of Qualified DB Plans

## Single-Employer Plan

- One employer sponsors the plan on behalf of its employees
- Can be, but doesn't need to be, collectively bargained

## Multiemployer Plan

- Collectively bargained and sponsored by more than one employer
- Employer contributions are bargained, based on active workforce/hours worked, not by plan solvency requirements
- Administered by Joint Labor/Management Board of Trustees
- Facilitates benefit portability with job changes

### Major Industries Covered by Multiemployer Pension Plans

- Construction
- Trucking & Transportation
- Mining
- Retail Food
- Manufacturing
- Hospitality
- Entertainment (film, TV, theater)

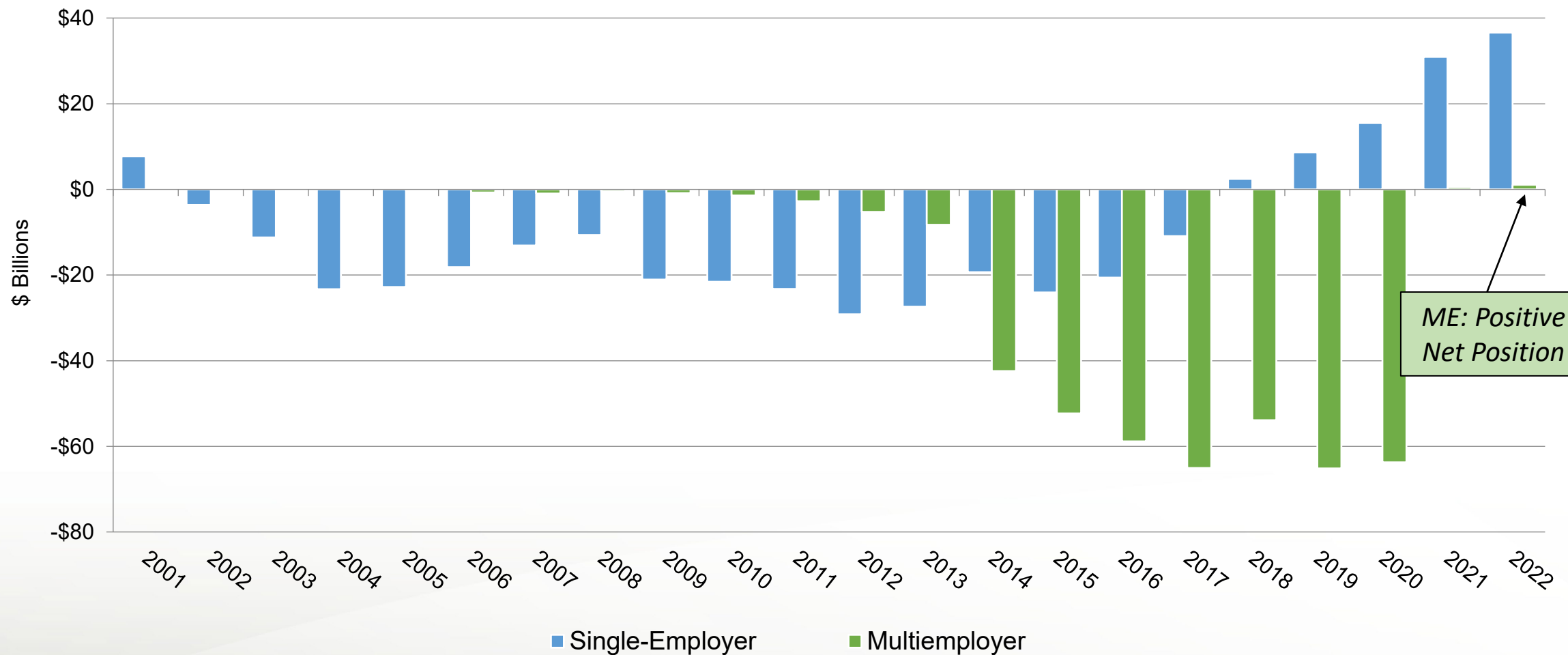
# Program Comparison FY 2022

	Single-Employer	Multiemployer
Number of covered plans	23,800	1,360
Number of participants in covered plans	22.3 million	11.2 million
Insurable event	Plan Termination	Plan Insolvency
FY 2022 PBGC financial position		
• Assets	\$ 124.4 B	\$ 3.5 B
• Liabilities (includes “probable” losses)	<u>87.8 B</u>	<u>2.4 B</u>
• Net position	\$ 36.6 B	\$ 1.1 B
FY 2022 premium income	\$ 4.6 B	\$ 339 M
FY 2022 payouts for retirees & beneficiaries <sup>1</sup>	\$ 7.0 B	\$ 226 M
2023 maximum annual guaranteed benefit	\$ 81,000 SLA for age 65 retiree, regardless of service	\$ 12,870 <sup>2</sup> retiree w/30 years of service, regardless of age

<sup>1</sup> Payouts shown for the Multiemployer Program are “regular” financial assistance loans to insolvent plans, which includes funds to pay out administrative expenses.

<sup>2</sup> Two-tier guarantee: 100% of the first \$3,960, 75% of the next \$11,880. Not indexed.

# Fiscal Year 2001-2022 PBGC Net Financial Position



# History of DB Pensions & Reform in the U.S.

- 1875: First corporate pension plan (American Express)
- 1935: Social Security Act
- 1949: Automobile and steel manufacturing pension plans
- 1963: Studebaker bankruptcy
- 1974: ERISA signed into law & PBGC established
- 1980: Multiemployer pension insurance established
- 1986: Single-Employer Pension Plan Amendments Act
- 1987: Omnibus Budget Reconciliation Act
- 1994: Retirement Protection Act
- 2006: Pension Protection Act
- 2014: Multiemployer Pension Reform Act
- 2021: American Rescue Plan Act – Multiemployer SFA

The background of the slide features a dark blue field with horizontal stripes. On the left side, there is a stylized graphic of an American flag, including a white star and curved stripes. A solid red horizontal line runs across the middle of the slide, separating the top graphic from the text.

# **American Rescue Plan Act of 2021 – Special Financial Assistance for Multiemployer Plans**

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# Special Financial Assistance Program

Provides financially troubled multiemployer plans with SFA payments in a lump sum.

Funded by U.S. Treasury general revenue transfers to PBGC, not PBGC premiums.

Allows applications for SFA through 12/31/2025 (or through 12/31/2026 for revised applications).

Plans that receive SFA are subject to certain conditions and restrictions.

# Amount of Special Financial Assistance

- SFA is determined as amount needed to pay all benefits due through 2051
- Generally determined using existing assumptions or set by statute
- Also makes up payments for participants whose benefits were previously cut back (MPRA suspensions or plan insolvency)
- Paid as a single lump sum with no requirement for repayment

# Special Financial Assistance (SFA) Expected Reach

The American Rescue Plan Act provides for special financial assistance to enhance retirement security for millions of Americans.



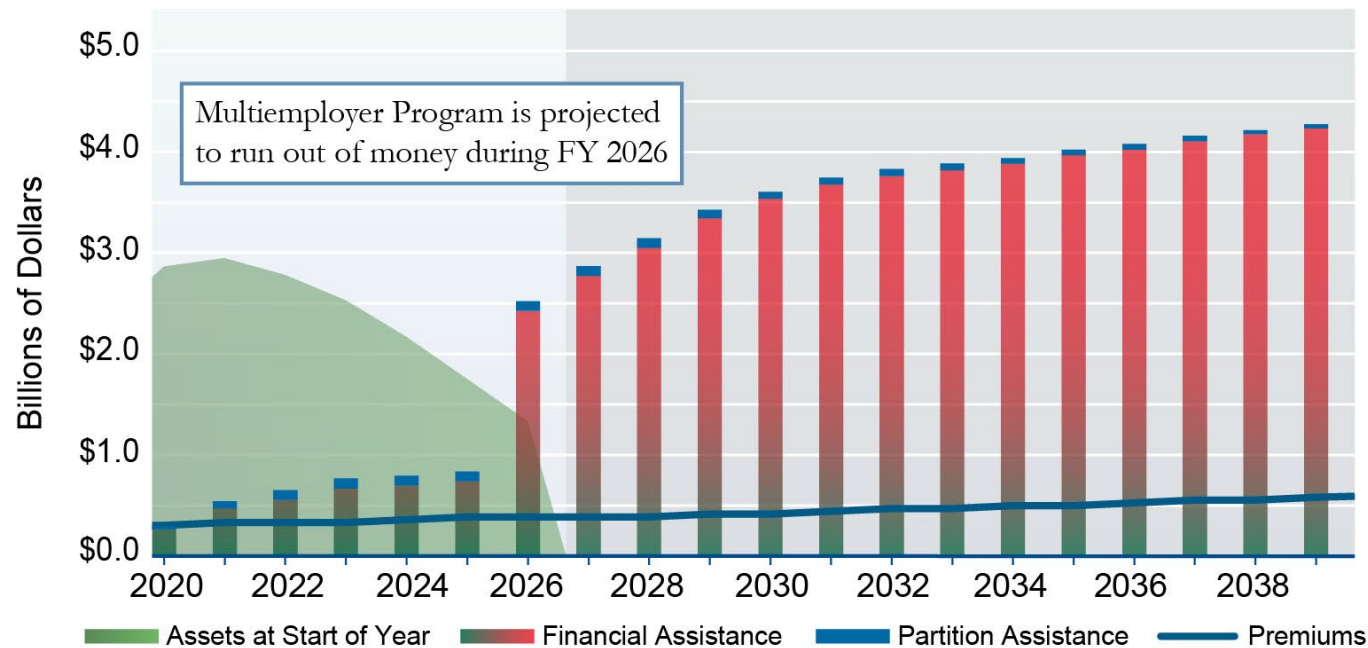
# Before Enactment of ARP

## Multiemployer Program Projected Insolvency Year

### Pre-ARP Multiemployer Program Solvency Projection

PBGC Multiemployer Fund Assets, Assistance Payments and Premiums by Fiscal Year

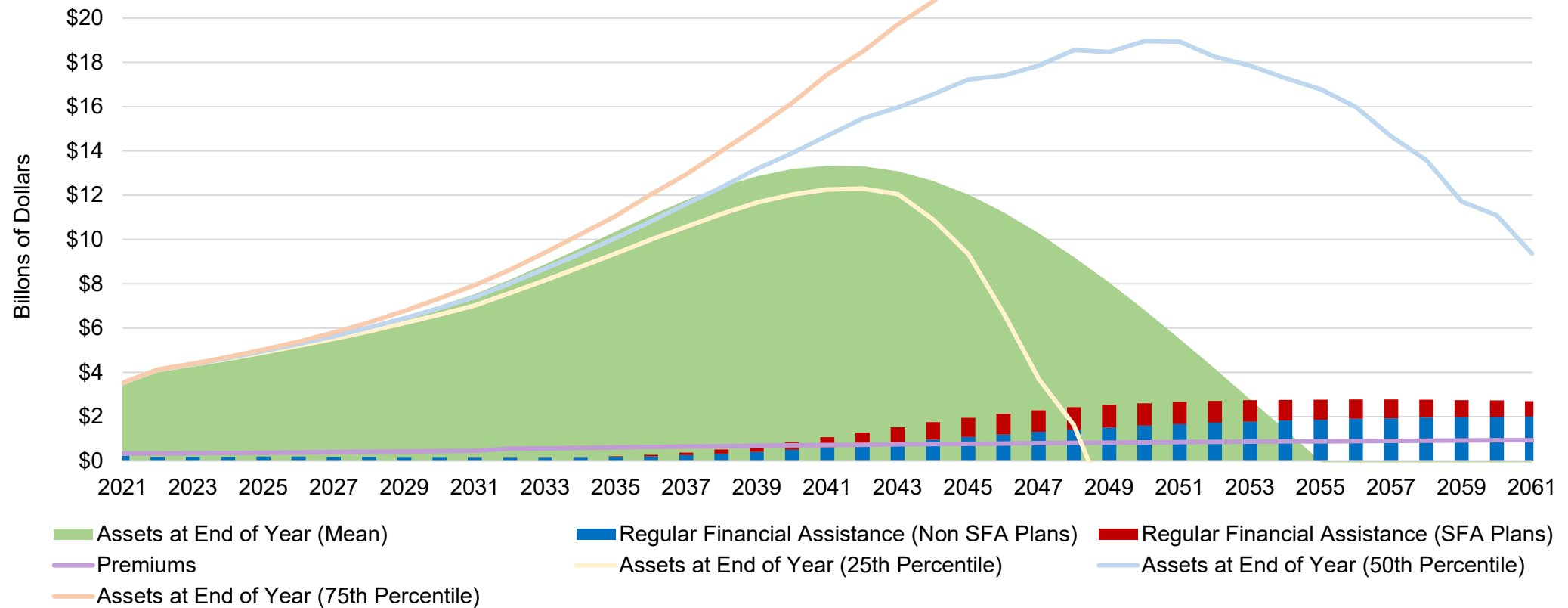
Mean Results in Nominal Dollars



# ARP Financially Strengthened the ME Program

## PBGC Multiemployer Fund Assets, Regular Financial Assistance Payments and Premiums by Fiscal Year

(Results in Nominal Dollars)



Note: Figure does not show SFA payments but reflects their impact on PBGC assets and regular financial assistance payments.

# SFA Applications -- Current Status

(as of June 13, 2023)

	Applications Approved	Applications Denied	Applications in Review***	
			Full Applications	Supplemented Applications
<b>Number of Applications</b>	79*	1	32	2
<b>Aggregate \$ SFA (approved or requested)</b>	\$47.4 billion	\$132.2 million	\$11.5 billion	\$281.6 million
<b>Aggregate Participant Count</b>	573,913	1,122	600,488	21,507**

\* Includes 46 full applications and 33 supplemented applications.

\*\* Participant count included in applications approved total.

\*\*\* 8 plans have withdrawn their applications and not yet reapplied. In addition, 110 plans have submitted requests to be added to the application waiting list.



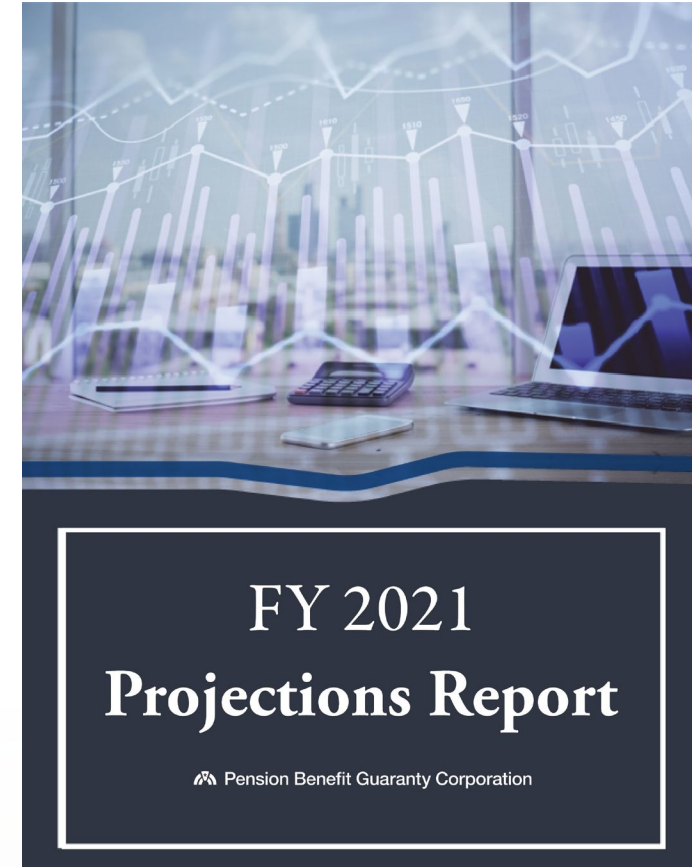
**Looking Forward**

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# PBGC Projections Report

## Report Objectives

- The Projections Report projects PBGC's FY 2031 financial condition
  - Projections are ***estimates, not predictions***



# Highlights

The median projected solvency of PBGC's ME program improved from FY 2055 to past FY 2061

The Multiemployer Program projected FY 2031 deficit decreased from \$9.8 billion to \$5.1 billion

The Single-Employer Program is still strong with a projected FY 2031 net position of \$53.3 billion

# Summary

- Defined benefit pensions in the U.S. are critical to the economic security of 34 million workers, retirees and their families
- The American Rescue Plan Act significantly improves the projected solvency of troubled multiemployer plans and PBGC's insurance program
- Future reforms would improve the long-term health of the multiemployer system and better protect the security of workers' benefits
- The single-employer defined benefit pension system is shrinking, but plan funding levels have improved and PBGC's insurance program is financially strong



# Thank You!

For official PBGC statements, please contact  
PBGC Public Affairs at 202-229-4343 or  
[PBGCExternalAffairs@PBGC.gov](mailto:PBGCExternalAffairs@PBGC.gov)