

# Multiemployer Alert

Update on Issues Affecting Taft-Hartley Plans

AUGUST 2019

## PBGC Multiemployer Program Continues on a Path Toward Insolvency

On August 6, 2019, the Pension Benefit Guaranty Corporation (PBGC) released its [projections report](#) for fiscal year (FY) 2018, which reviews the financial condition of the agency's Multiemployer Program.

The PBGC Multiemployer Program covers about 10.6 million participants across 1,400 defined benefit plans. Plans that become insolvent receive financial assistance from the PBGC to pay [guaranteed benefits](#). The maximum guaranteed benefit is \$12,870 per year for a participant with 30 years of service.

Key takeaways from the report are:

- “The Multiemployer Program is estimated to have a 99 percent likelihood of insolvency in FY 2025 and a 100 percent likelihood in FY 2026. The likelihood of insolvency does not vary greatly with the expected future use of suspension and partitions under MPRA.”
- “About 125 of the 1,400 multiemployer plans that PBGC insures are in critical and declining status and have declared that they will be unable to raise contributions sufficiently to avoid insolvency over the next 20 years.”
- Unless Congress takes action to improve the agency's financial condition, benefits paid by the PBGC following its insolvency would be reduced to the level supported by current premium income. Based on Figure 4 of the report, PBGC insolvency could reduce financial assistance by 80% to 90%, resulting in a reduction in the maximum guaranteed benefit from \$12,870 to roughly \$1,300 to \$2,600 *per year*.

The annual flat-rate premium for multiemployer defined benefit plans is \$29 per participant for the 2019 plan year and increased annually thereafter based on the Social Security national average wage index. Any change to the premium structure requires Congressional action.

Please contact your Milliman consultant with any questions.

Multiemployer Alert: Update on Issues Affecting Taft-Hartley Plans is intended to provide information and analysis of a general nature. Application to specific circumstances should rely on separate professional guidance.