PBGC
Protecting America's Pensions
Pension Benefit Guaranty Corporation
1200 K Street, N.W., Washington, D.C. 20005-4026

JUN 17 2016

The Honorable Joseph R. Biden, Jr.
President of the Senate
United States Senate
Washington, DC 20510

Dear Mr. President:

On behalf of the Board of the Pension Benefit Guaranty Corporation (PBGC), I am submitting the FY 2015 Projections Report and the PBGC report required by the Multiemployer Pension Reform Act of 2014 (MPRA Report). The Projections Report completes the FY 2015 Annual Report, which was released on November 16, 2015.

These reports show that, while the financial position of the single-employer program is likely (but not guaranteed) to improve, the multiemployer program is likely to run out of funds by 2025. We are committed to working with Congress to ensure the continued solvency of the multiemployer program.

Multiemployer defined benefit plans provide retirement security to more than 10 million participants and their beneficiaries – about one quarter of private-sector defined benefit plan participants – through 1,400 plans. Tens of thousands of employers, including many small businesses, provide lifetime retirement benefits for their employees by participating in multiemployer pension plans. Multiemployer plans have been hurt by long-term demographic and economic trends and the compounding effects that structural and management problems have had on underfunded plans. Overall, plan assets in the multiemployer pension system are now less than half the value of earned benefits.

PBGC estimates that plans covering about 10% to 15% of the 10 million multiemployer participants are at risk of running out of money over the next 20 years. Insolvency of PBGC's multiemployer insurance program would devastate the retirement benefits of 1 million to 1.5 million participants and their families in these plans. Keeping PBGC's multiemployer program solvent means that participants in failed multiemployer plans will receive the basic benefits provided by PBGC's multiemployer guarantee ($1,072.50 per month with 30 years of service). If PBGC's multiemployer fund becomes insolvent, PBGC would be able to use only incoming premiums, which at current levels would provide almost all participants only a tiny fraction of their benefit.

We cannot afford to be complacent. We must address the funding and other challenges of the multiemployer insurance program before it is too late. Nine years is a very short period in which to address a problem of this magnitude, particularly one that involves a poorly funded system with increasing payment obligations that extend for decades. And if investment returns of troubled multiemployer plans are less than projected, PBGC's multiemployer program could face insolvency even sooner than 2025. Moreover, the longer we wait, the greater the premium increases needed to avoid insolvency, further straining a system that already is under great stress.

The multiemployer insurance program needs reform that addresses the problems affecting plans and also makes PBGC's multiemployer fund something that can be relied upon for years to come. While MPRA provided a modest benefit from premium increases, the multiemployer insurance fund is still on a trajectory to become insolvent within 10 years. The President's 2017 Budget proposed a plan to rescue the United Mine Workers of America 1974 Pension Plan and proposed a structure for increased premiums under the multiemployer program at a level that would eliminate most of the risk of the multiemployer program becoming insolvent within 20 years. Changes to the multiemployer program such as these are urgently needed to protect the lifetime pensions of millions of American workers and retirees.

We look forward to working with Congress to develop a financially sound insurance program that protects the retirement security of 10 million participants and their families.

Sincerely,

THOMAS E. PEREZ
Secretary of Labor
Chair of the Board

Enclosures

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The Honorable Paul D. Ryan
Speaker of the House of
Representatives
Washington, DC 20515

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