

Multiemployer Alert

Update on Issues Affecting Taft-Hartley Plans

DECEMBER 2020

PBGC FY 2020 Annual Report

On December 10, 2020, the Pension Benefit Guaranty Corporation (PBGC) released its [Fiscal Year 2020 \(FY\) Annual Report](#), which details the financial health, operations, and activities of the PBGC's single employer and multiemployer insurance programs for the federal fiscal year ended September 30, 2020.

The PBGC multiemployer insurance program covers about 10.9 million pension participants across approximately 1,400 defined benefit plans. Highlights of the report related to the agency's multiemployer program include:

- **Program deficit declined.** The deficit of the multiemployer insurance program declined from \$65.2 billion in FY 2019 to \$63.7 billion in FY 2020. The United Mine Workers of America 1974 Pension Plan (UMWA) was removed as a plan projected to need PBGC financial assistance, lowering the program's liabilities by about \$6.6 billion. UMWA will receive financial assistance from the U.S. Treasury instead of the PBGC as provided by the Bipartisan American Miners Act of 2019 that was passed last year. Without this legislation, the PBGC multiemployer program's deficit would have increased for the 2020 FY.
- **Current and future financial assistance.** One hundred seventy-three million dollars in financial assistance was provided to 95 plans during FY 2020, covering 107,200 participants (79,600 of whom are in pay status). This is compared to the \$160 million in financial assistance provided to 89 plans in FY 2019.

Going forward, the agency expects to provide financial assistance to 192 plans: 91 plans currently receiving financial assistance at the end of FY 2020, 40 ongoing plans that are likely to need financial assistance within 10 years, and another 61 terminated plans which are projected to become insolvent.

- **Partition approved.** The agency ordered the partition of one critical and declining status plan, the Bricklayers and Allied Craftsmen Local 7 Pension Fund, which covers 400 participants, and began providing financial assistance to it on October 1, 2020.
- **Facilitated merger approved.** The PBGC approved its first facilitated merger with financial assistance between the Laborers International Union of North America 1000 Pension Fund (Local 1000 Plan) and the Laborers Local 235 Pension Fund (Local 235 Plan) providing annual payments of \$8.9 million to the merged plan for three years. The merger is expected to prevent or postpone certain benefit reductions to the Local 1000 Plan, which was in critical and declining status, without harming the Local 235 Plan, which was in the green zone. "The financial assistance is expected to reduce the PBGC's long-term loss with respect to the plans," the PBGC said.
- **Alternative withdrawal liability methods approved.** The PBGC approved seven alternative withdrawal liability methods for allocating unfunded vested benefits (UVB) after determining that such methods would not "significantly increase the risk of loss" to the PBGC or plan participants. Two plans received approval of a "two-pool" allocation method to wall off existing UVB to help attract new employers.

The report does not contain projections of the future solvency of the programs. However, it references the looming insolvency of the multiemployer insurance program during FY 2026, detailed in the PBGC's [2019 FY Projections Report](#), a summary of which can be found [here](#).

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.