

PBGC Paid Out \$5.6B In Main Pension Program Last Year

By **Michael Phillis**

Law360 (March 8, 2018, 7:36 PM EST) -- The Pension Benefit Guaranty Corp. said on Wednesday that it paid out \$5.6 billion in retiree benefits to about 868,000 people who are part of its single-employer program in 2017, numbers that stayed near previous years' levels.

Along with the nationwide numbers, the PBGC provided a state-by-state breakdown of how much went out to retirees. Ohio had the highest payout, with about \$544 million paid to retirees in that state, followed by Pennsylvania and Florida, with \$462 million and \$419 million, respectively.

John Ferreira, an attorney at Morgan Lewis & Bockius LLP, said there was a theme to the states whose retirees received the largest payouts.

"A significant amount of the overall number is represented by a handful of states that were the home of large, heavily unionized manufacturing businesses in industries like steel, aluminum and auto manufacturing that went through significant dislocation over the last 30 years," Ferreira told Law360 on Thursday. "That really is the source of many of the plan liabilities that PBGC had to absorb as a result of bankruptcies in all of those industries."

Michigan retirees received nearly \$400 million in payouts, Illinois had \$304 million and Indiana \$290 million, all of which Ferreira said fit into this category. And while highly populous states had large totals as well — California retirees received \$351 million and New York \$339 million — many states had a far lower payout go to qualifying retirees, such as \$12 million for beneficiaries in New Mexico.

The nationwide figures provided Wednesday were for the last calendar year. Previous years' data was compiled by fiscal year. In fiscal year 2016, \$5.7 billion in benefits was paid to 840,000 retirees in single-employer plans. In fiscal year 2014, 813,000 retirees in single-employer plans were paid \$5.5 billion.

The PBGC receives premiums from the sponsors of private sector pension plans, which are supplemented by other revenue streams such as investments. Its purpose is to make sure that if a private pension plan fails, retirees aren't simply cut off. The PBGC may take over as trustee of a plan if the employer can no longer pay full benefits, according to the agency. In addition to the single-employer program, the agency runs a much smaller program for multi-employer plans.

In fiscal year 2017, about 40 million people in the private sector have their benefits guaranteed to some extent by the PBGC, which is down from 42 million in fiscal year 2013.

The number of single-employer plans insured by the PBGC has seen significant declines over the last several decades, however. In 1985, about a third of the private sector workforce was in a plan insured by the PBGC, according to the agency. In the most recent year of data, 2014, that number had shrunk to 12.7 percent. In 2008, it was 17 percent.

“You are going to see over time a long-term decline of people who are covered underneath pension plans, which results in a long-term period of [decline] of people who receive benefits under PBGC,” David Whaley, an employment attorney at Thompson Hine LLP, told Law360 on Thursday. “So, the PBGC is going to end up dwindling with respect to its coverage at some point.”

Ferreira also noted that the state-by-state numbers were further broken down by congressional district. For example, in the numbers for Massachusetts, the \$113 million payout total for the state is listed, but the PBGC also shows that the congressional district in the state that received the most amount of money, \$19 million, was District 9, which is represented by Democrat William Keating.

“What it indicates to me is that PBGC would like senators and members of congress to appreciate just how important PBGC’s continued viability and solvency is to the constituents in their particular state or congressional district so that they can be sensitive to, for example, legislative proposals to shore up PBGC’s finances,” Ferreira said.

--Editing by Aaron Pelc.