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PBGC deficit no excuse for higher premiums

WASHINGTON, DC — “The deficits reported today by the Pension Benefit Guaranty Corporation (PBGC) are concerning, but not for the reasons you think,” American Benefits Council Senior Vice President, Global Retirement and Compensation Policy, Lynn Dudley said today.

The Pension Benefit Guaranty Corporation’s (PBGC) 2015 Annual Report notes that its single-employer program deficit increased to $24.1 billion, up from $19.3 billion reported in 2014. However, the Council’s studies of the PBGC’s finances show that the single-employer pension system is healthy and in no danger of default, and the PBGC’s own projection report estimated that the single-employer program’s deficit would shrink to roughly $4.9 billion in 2024. “We have often noted that the agency’s snapshot deficit calculation is opaque and does not accurately reflect the long-term health of the PBGC,” Dudley said.

“Nevertheless, we remain concerned that policymakers may be tempted to use these deficits as justification for the constant hikes in insurance premiums paid to the PBGC by plan sponsors. We urge them to reject that impulse, for the sake of pension plan sponsors and participants,” Dudley said. “Continued premium increases, like those just enacted as part of the Bipartisan Budget Act, will only compel healthy plans to exit the system, leaving a dwindling premium base and creating a death spiral for the PBGC.”

For more information on defined benefit pension policy and the PBGC, or to arrange an interview with Dudley, please contact Jason Hammersla, Council director of communications, at jhammersla@abcstaff.org or by phone at 202-289-6700 (office) or (202) 422-4652 (cell).

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The American Benefits Council is the national trade association for companies concerned about federal legislation and regulations affecting all aspects of the employee benefits system. The Council’s members represent the entire spectrum of the private employee benefits community and either sponsor directly or administer retirement and health plans covering more than 100 million Americans.