

PBGC deficit swells in recent year

The government agency that backstops private sector pensions saw its deficit swell by \$1 billion, to \$23 billion for the most recent fiscal year.

The Pension Benefit Guaranty Corp. said it has \$79.5 billion in combined assets to cover a total of \$102.5 billion in obligations.

In 2010 alone, the agency took in \$2.3 billion in premiums and had \$7.8 billion in investment income thanks to a 12 percent total return on investments. However, its total obligations--including benefit payments that will be paid out over decades--increased by \$11.5 billion.

Remember, the PBGC is not funded by general tax revenues. Its funds come from insurance premiums paid by sponsors of defined benefit pension plans; assets held by the pension plans it takes over; recoveries of unfunded pension liabilities from plan sponsors' bankruptcy estates; and investment income.

According to its newly released annual report, for the fiscal year ended September 30, the PBGC took over failed pension plans covering nearly 109,000 workers and retirees, and helped prevent the termination of plans covering about 250,000 others.

It also paid \$5.6 billion in benefits to 801,000 retirees whose plans had failed--and nearly 700,000 other participants in those plans will receive benefits when they reach retirement age. Altogether, the PBGC is responsible for the retirement benefits of nearly 1.5 million Americans whose pension plans have failed.

Not all of the news is bad, however. For example, in the most recent year, 38 companies had their operations emerge from bankruptcy with ongoing plans, keeping about \$4 billion in obligations off the PBGC's books, and preserving benefits for more than 250,000 workers and retirees. Among them: LyondellBasell Industries, Lear Corp., and Smurfit-Stone Container Corp.

Like many individual investors, the PBGC was hurt badly by the implosion of the global financial markets. After shifting more of its assets to stocks, the agency's equity investments lost 23 percent during the year ending September 30, 2008.