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How the Keep Our Pension Promises Act Would Save the Central States Pension Fund

The Keep Our Pension Promises Act would make it possible for the largest of the severely underfunded multiemployer pension plans, the Central States Pension Fund (CSPF), to continue to pay promised benefits to its 205,000 retirees.

This is because money that would be transferred by the Pension Benefit Guaranty Corporation (PBGC) to the plan each year, combined with contributions from employers and investment income, will be sufficient to cover the plan's benefit costs for that year.

These calculations are rough estimates based on the Central States Pension Fund Financial and Analytical Information Report for December 31, 2015, and a calculation by the Center for Retirement Research of the average guaranteed benefit that the PBGC would have to pay to CSPF retirees if the plan were to run completely out of money. The December 31, 2015, report shows that the Fund paid approximately $2.8 billion in benefits in 2015. To pay these pensions each year, the Fund currently has two sources of "new money": (1) contributions from contributing employers and withdrawal liability payments from former contributing employers; and (2) investment earnings.

> **1. Contributions**: In 2015, contributions (including withdrawal liability contributions) totaled $1.272 billion. However, that number includes $456 million more in contributions than 2014, primarily an increase in withdrawal liability receipts and recognition of withdrawal liability previously classified as potentially refundable. Thus a more realistic projected employer contribution income for the future is the $815 million received in 2014.
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> **2. Investment income**: At the end of 2015, the Fund had $16.1 billion available for investment. In 2016, that figure is expected to drop by $2.0 billion "before taking investment income into account." (This is $2.8 billion in benefit payments, minus $815 million in employer contributions, or about a $2 billion loss on operations before taking into account return on investment.)

If CSPF achieves its expected 7.5 percent rate of return on its investments in 2016, it would gain $1.21 in offsetting investment income. This would leave a year-end balance of approximately $15.3 billion.

CSPF contributions of $815 million and estimated investment income of $1.21 billion total $2.02 billion in annual income. ***This is approximately $780 million short* of what the plan would need to pay $2.8 billion in benefits.**

The transfers authorized by the Keep Our Pension Promises Act from the new PBGC Legacy Fund would be calculated by multiplying the number of orphaned retirees by the average

PBGC guaranteed benefit for these retirees. Approximately half of all CSPF benefit dollars go to orphans. The Center for Retirement Research estimates that the average PBGC guaranteed benefit of for Central States retirees is $8,580 per year. **If the PBGC transferred $8,580 for 102,000 orphans (half of all Central States retirees), that would add $875 million to the Fund, slightly more than it needs to pay $2.8 billion in total benefits.**