The single-employer pension insurance program returned to an accumulated deficit in 2002 largely due to the termination, or expected termination, of several severely underfunded pension plans. Factors that contributed to the severity of plans' underfunded condition included a sharp stock market decline, which reduced plan assets, and an interest rate decline, which increased plan termination costs. For example, PBGC estimates losses to the program from terminating the Bethlehem Steel pension plan, which was nearly fully funded in 1999 based on reports to IRS, at $3.7 billion when it was terminated in 2002. The plan's assets had decreased by over $2.5 billion, while its liabilities had increased by about $1.4 billion since 1999.

The single-employer program faces two primary risks to its long-term financial viability. First, the losses experienced in 2002 could continue or accelerate if, for example, structural problems in particular industries result in additional bankruptcies. Second, revenue from premiums and investments might be inadequate to offset program losses experienced to date or those that occur in the future. Revenue from premiums might fall, for example, if the number of program participants decreases. Because of these risks, we recently placed the single-employer insurance program on our high-risk list of agencies with significant vulnerabilities to the federal government.

While there is not an immediate crisis, there is a serious problem threatening the retirement security of millions of American workers and retirees. Several reforms might reduce the risks to the program's long-term financial viability. Such changes include: strengthening funding rules applicable to poorly funded plans, modifying program guarantees, restructuring premiums, and improving the availability of information about plan investments, termination funding, and program guarantees. Any changes adopted to address the challenge facing PBGC should provide a means to hold plan sponsors accountable for adequately funding their plans, provide plan sponsors with incentives to increase plan funding, and improve the transparency of plan information.