percent. As of September 30, 2015, the TCCUSF had a $2.3 billion loan outstanding from the Department of the Treasury.

The health of the credit union industry continues to improve. Consequently, the ratio of insured shares in problem institutions to total insured shares decreased to 0.81 percent in September 2015 from a high of 5.7 percent in December 2009. With the improving health of credit unions, NCUA has been steadily reducing SIF loss reserves. As of September 30, 2015, the SIF had set aside $169.5 million in reserves to cover potential losses, a reduction of 31 percent from the $244 million set-aside as of September 30, 2013.

Restoring the Deposit Insurance Funds

Pursuant to the Wall Street Reform Act, the restoration period for the FDIC's DIF reserve ratio to reach 1.35 percent was extended to 2020. (Prior to the Act, the DIF reserve ratio was required to reach the minimum target of 1.15 percent by the end of 2016.) In late 2009, the FDIC Board of Directors adopted a final rule requiring insured institutions to prepay quarterly risk-based assessments for the fourth quarter of CY 2009 and for all of CY 2010, 2011, and 2012. The FDIC collected approximately $45 billion in prepaid assessments pursuant to this rule. Unlike a special assessment, the prepaid assessments did not immediately affect bank earnings; it was booked as an asset and amortized each quarter by that quarter's assessment charge. This prepaid assessment, coupled with annual assessments on the banking industry, provided the FDIC with ample operating cash flows to effectively and efficiently resolve bank failures during the short period in which the DIF balance was negative. Although the FDIC has authority to borrow up to $100 billion from Treasury to maintain sufficient DIF balances, the Budget does not anticipate FDIC utilizing its borrowing authority because the DIF is projected to maintain positive operating cash flows over the entire 10-year budget horizon.

Since 2009 NCUA has successfully restored the reserve ratio of the SIF to the normal operating level. Additionally, NCUA continues to seek compensation from the parties that created and sold troubled assets to the failed corporate credit unions. As of September 30, 2015, NCUA's gross recoveries from securities underwriters total more than $1.9 billion, helping to minimize losses and future assessments on federally insured credit unions. These recoveries have also accelerated repayment of the TCCUSF's outstanding U.S. Treasury borrowings.

Budget Outlook

The Budget estimates DIF net outlays of -$68.0 billion over the current 10-year budget window (2017-2026). Over the previous 10-year window of 2016-2025, net outlays are -$68.2 billion. This $68.2 billion in net inflows to the DIF is $6 billion lower than estimated for the 2016 Mid-Session Review (MSR). The latest public data on the banking industry led to a reduction in bank failure estimates, reducing receivership proceeds, resolution outlays, and premiums necessary to reach the minimum Wall Street Reform Act DIF reserve ratio of 1.35 percent relative to MSR. On November 6, 2015, the FDIC published a notice of proposed rulemaking (as required by the Wall Street Reform Act) that would lower overall assessments and impose a 4.5 basis point surcharge on large banks, starting in the first quarter after the DIF reserve ratio reaches 1.15 percent and continuing until the reserve ratio reaches 1.35 percent. FDIC expects to collect these surcharges during 2017 and 2018 and the Budget estimates reflect the proposed assessment rates and a DIF reserve ratio of 1.35 percent in 2020.

Pension Guarantees

The Pension Benefit Guaranty Corporation (PBGC) insures the pension benefits of workers and retirees in covered defined-benefit pension plans. PBGC operates two legally distinct insurance programs: single-employer plans and multiemployer plans.

Single-Employer Program. Under the single-employer program, PBGC pays benefits, up to a guaranteed level, when a company's plan closes without enough assets to pay future benefits. PBGC's claims exposure is the amount by which qualified benefits exceed assets in insured plans. In the near term, the risk of loss stems from financially distressed firms with underfunded plans. In the longer term, loss exposure results from the possibility that well-funded plans become underfunded due to inadequate contributions, poor investment results, or increased liabilities, and that the healthy firms sponsoring those plans become distressed.

PBGC monitors companies with underfunded plans and acts to protect the interests of the pension insurance program's stakeholders where possible. Under its Early Warning Program, PBGC works with companies to strengthen plan funding or otherwise protect the insurance program from avoidable losses. However, PBGC's authority to manage risks to the insurance program is limited. Most private insurers can diversify or reinsure their catastrophic risks as well as flexibly price these risks. Unlike private insurers, federal law does not allow PBGC to deny insurance coverage to a defined-benefit plan or adjust premiums according to risk. Both types of PBGC premiums—the flat rate (a per person charge paid by all plans) and the variable rate (paid by some underfunded plans) are set in statute.

Claims against PBGC's insurance programs are highly variable. One large pension plan termination may result in a larger claim against PBGC than the termination of many smaller plans. The future financial health of the PBGC will continue to depend largely on the termination of a limited number of very large plans.

Single employer plans generally provide benefits to the employees of one employer. When an underfunded single employer plan terminates, usually through the bankruptcy process, PBGC becomes trustee of the plan, applies legal limits on payouts, and pays benefits. The amount of benefit paid is determined after taking into account (a) the benefit that a beneficiary had accrued in the terminated plan, (b) the availability of assets from the terminated plan to cover benefits, and (c) the legal maximum benefit level set in statute. In 2015, the maximum annual payment guaranteed under the single-employer program was $60,136 for a retiree aged 65. This limit is indexed for inflation.

PBGC's single-employer program has incurred substantial losses over the past 15 years from underfunded plan terminations. Table 20-1 shows the ten largest plan termination losses in PBGC's history. Nine of the ten happened since 2001.

Multiemployer Plans. Multiemployer plans are collectively bargained pension plans maintained by one or more labor unions and more than one unrelated employer, usually within the same or related industries. PBGC's role in the multiemployer program is more like that of a re-insurer; if a company sponsoring a multiemployer plan fails, its liabilities are assumed by the other employers in the collective bargaining agreement, not by PBGC, although employers can withdraw from a plan for an exit fee. PBGC becomes responsible for insurance coverage when the plan runs out of money to pay benefits at the statutorily guaranteed level, which usually occurs after all contributing employers have withdrawn from the plan, leaving the plan without a source of income. PBGC provides insolvent multiemployer plans with financial assistance in the form of loans sufficient to pay guaranteed benefits and administrative expenses. Since multiemployer plans do not receive PBGC assistance until their assets are fully depleted, financial assistance is almost never repaid. Benefits under the multiemployer program are calculated based on the benefit that a participant would have received under the insolvent plan, subject to the legal multiemployer maximum set in statute. The maximum guaranteed amount depends on the participant's years of service and the rate at which benefits are accrued. In 2015, for example, for a participant with 30 years of service, PBGC guarantees 100 percent of the pension benefit up to a yearly amount of $3,960. If the pension exceeds that amount, PBGC guarantees 75 percent of the rest of the pension benefit up to a total maximum guarantee of $12,870 per year. This limit has been in place since 2011.

In recent years, many multiemployer pension plans have become severely underfunded as a result of unfavorable investment outcomes, employers withdrawing from plans, and demographic challenges. In 2001, only 15 plans covering about 80,000 participants were under 40 percent funded using estimated market rates. By 2011, this had grown to almost 200 plans covering almost 1.5 million participants. While many plans have benefited from an improving economy and will recover, a small number of plans are severely underfunded and, absent any changes, projected to become insolvent within ten years.

As of September 30, 2015, the single-employer and multi-employer programs reported deficits of $24.1 billion and $52.3 billion, respectively. While both programs are projected to be unable to meet their long-term obligations under current law, the challenges facing the multiemployer program are more immediate. In its 2015 Annual Report, PBGC reported that it had just $2 billion in accumulated assets from premium payments made by

Table 20–1. TOP 10 FIRMS PRESENTING CLAIMS (1975-2014)

Single-Employer Program

Firm	Fiscal Year(s) of Plan Termination(s)	Claims (by firm)	Percent of Total Claims (1975-2014)
1 United Airlines	2005	$7,304,186,216	14.98%
2 Delphi	2009	$6,382,168,004	13.09%
3 Bethlehem Steel	2003	$3,702,771,656	7.59%
4 US Airways	2003, 2005	$2,708,858,934	5.55%
5 LTV Steel*	2002, 2003, 2004	$2,116,397,590	4.34%
6 Delta Air Lines	2006	$1,720,156,505	3.53%
7 National Steel	2003	$1,319,009,116	2.70%
8 Pan American Air	1991, 1992	$841,082,434	1.72%
9 Trans World Airlines	2001	$668,377,105	1.37%
10 Weirton Steel	2004	$640,480,969	1.31%
Top 10 Total		$27,403,488,529	56.19%
All Other Total		$21,368,826,989	43.81%
TOTAL		$48,772,315,518	100.00%

Sources: PBGC Fiscal Year Closing File (9/30/14), PBGC Case Management System, and PBGC Participant System (PRISM).

Due to rounding of individual items, numbers and percentages may not add up to totals.

Data in this table have been calculated on a firm basis and, except as noted, include all trusteed plans of each firm.

Values and distributions are subject to change as PBGC completes its reviews and establishes termination dates.

* Does not include 1986 termination of a Republic Steel plan sponsored by LTV.

multiemployer plans, which it projected would be depleted by 2025. If the program runs out of cash, the only funds available to support benefits would be the premiums that continue to be paid by remaining plans; this could result in benefits being cut much more deeply, to a small fraction of current guarantee levels.

To address the problems facing the multiemployer program and the millions of Americans who rely on those plans for their retirement security, the Congress passed The Multiemployer Pension Reform Act, which was included in the Consolidated and Further Continuing Appropriations Act signed on December 16, 2014. The law includes significant reforms to the multiemployer pension plan system, including provisions that allow trustees of multiemployer plans facing insolvency to apply to the Department of Treasury to reduce benefits by temporarily or permanently suspending benefits. The law does not allow suspensions for individuals over age 80 or for those receiving a disability retirement benefit. A participant or beneficiary's monthly benefit cannot be reduced below 110 percent of the PBGC guarantee. It also increases PBGC premiums from the $13 per person to $26 beginning in 2015. While the legislation is an important first step, it will not be enough to improve PBGC's solvency for more than a very short period of time. PBGC projects that it is likely to become insolvent by 2025, extending its projected insolvency date by three years compared to the 2013 projection.

In addition, Congress enacted premium increases in the single-employer program as part of the Bipartisan Budget Act of 2015 (BBA). By increasing both the flat-rate and variable-rate premiums, the Act will raise as estimated $4 billion over the 10-year budget window. This additional revenue will improve the financial outlook for the single-employer program, which was already projected to see a large reduction in its deficit over the next 10 years.

Premiums. Both programs are underfunded, with combined liabilities exceeding assets by $76 billion at the end of 2015. While the single-employer program's financial position is projected to improve over the next 10 years, in part because Congress has raised premiums in that program several times in recent years, the multiemployer program is projected to run out of funds in 2024. Particularly in the multiemployer program, premium rates remain much lower than what a private financial institution would charge for insuring the same risk and well below what is needed to ensure PBGC's solvency.

To address these concerns, the Budget proposes to give the PBGC Board the authority to adjust premiums. The 2016 Budget proposed to raise premiums by $19 billion, with premiums to be split between the multiemployer and single-employer programs based on the size of their deficits. Given the $4 billion in recent premium increases enacted in the Bipartisan Budget Act (BBA) of 2015 and the single-employer program's improving financial projections, the Budget directs the Board to raise $15 billion in additional premium revenue within the Budget window only from the multiemployer program. The Administration believes additional increases in single-employer premiums are unwise at this time and would unnecessarily create further disincentives to maintaining defined benefit pension plans. This level of additional multiemployer premium revenue would nearly eliminate the risk of the multiemployer program becoming insolvent within 20 years.

The Budget assumes that the Board will raise these revenues by using its premium-setting authority to create a variable-rate premium (VRP) and an exit premium in the multiemployer program. A multiemployer VRP would require plans to pay additional premiums based on their level of underfunding—as is done in the single-employer program. An exit premium assessed on employers that withdraw from a plan would compensate PBGC for the additional risk imposed on it when healthy employers exit.

Disaster Insurance

Flood Insurance

The Federal Government provides flood insurance through the National Flood Insurance Program (NFIP), which is administered by the Federal Emergency Management Agency of the Department of Homeland Security (DHS). Flood insurance is available to homeowners and businesses in communities that have adopted and enforce appropriate floodplain management measures. Coverage is limited to buildings and their contents. At the end of fiscal year 2015, the program had over 5.1 million policies in more than 22,100 communities with $1.23 trillion of insurance in force.

Prior to the creation of the program in 1968, many factors made it cost prohibitive for private insurance companies alone to make affordable flood insurance available. In response, the NFIP was established to make insurance coverage widely available, to combine a program of insurance with flood mitigation measures to reduce the nation's risk of loss from flood, and to minimize Federal disaster-assistance expenditures. The NFIP requires participating communities to adopt certain building standards and take other mitigation efforts to reduce flood-related losses, and operates a flood hazard mapping program to quantify geographic variation in the risk of flooding. These efforts have resulted in substantial reductions in the risk of flood-related losses nationwide. However, structures built prior to flood mapping and NFIP floodplain management requirements, which make up 20 percent of the total policies in force, currently pay less than fully actuarial rates and continue to pose relatively high risk.

A major goal of the National Flood Insurance Program is to ensure that property owners are compensated for flood losses through flood insurance, rather than through taxpayer-funded disaster assistance. The agency's marketing strategy aims to increase the number of Americans insured against flood losses and improve retention of policies among existing customers. The strategy includes: