Types of Employer-Sponsored Retirement Plans

Employer Retirement Plans

Defined Benefit
- Private Sector
  - Qualified
    - Covered by PBGC
    - Single-Employer
  - Non-Qualified
    - Not Covered by PBGC
    - Multiemployer

Defined Contribution
- Public Sector
Overview of PBGC

- **Mission (per statute)**
  - Encourage the continuation and maintenance of voluntary private pension plans
  - Provide for timely and uninterrupted payment of pension benefits to participants and beneficiaries
  - Maintain premiums at the lowest level consistent with its obligations

- **PBGC’s two programs operate very differently**
  - Single-Employer Program: PBGC takes over and administer plans that terminate without sufficient assets
  - Multiemployer Program: When a plan runs out of money (“becomes insolvent”), PBGC provides financial assistance so that plan can continue to provided benefits

- **New role related to multiemployer plans – implement and operate the Special Financial Assistance (SFA) Program**
PBGC-Insured Participants and Plans
Single-Employer Plans Only

Source: Form 5500 and PBGC premium flings
PBGC-Insured Participants and Plans
Multiemployer Plans Only

Source: Form 5500 and PBGC premium filings
PBGC Coverage

• PBGC covers most private-sector qualified DB plans unless exemption applies

• Exceptions:
  • Substantial Owner Plans
  • Small Professional Service Plans
  • Certain Puerto Rico Plans, unless they opt in
  • Church Plans, unless they opt in

• Covered plans can’t opt out
• Except as noted above, non-covered plans can’t opt in
Measuring Funded Status of PBGC Programs

- **Assets**
  - Separate funds for two programs
  - Sources of income

- **Liabilities**
  - Measured at market value
  - Includes “probables”

<table>
<thead>
<tr>
<th>Single-Employer Program</th>
<th>Multiemployer Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Premiums</td>
<td>- Premiums</td>
</tr>
<tr>
<td>- Assets from plans that PBGC trustees</td>
<td>- Investment Income</td>
</tr>
<tr>
<td>- Recoveries in bankruptcies</td>
<td></td>
</tr>
<tr>
<td>- Investment income</td>
<td></td>
</tr>
</tbody>
</table>
Workers & Retirees resources
• Search insured and trusteed plans
• Learn about PBGC benefit options
• Use MyPBA to manage benefits
• Read the latest updates and FAQs

Employers & Practitioners resources
• See latest PBGC interest rates
• Learn about online filing (My PAA)
• Review forms and reporting requirements
• Read the latest updates and FAQs
PBGC’s What’s New for Employers and Practitioners

Sign up for PBGC email updates to receive the latest information on premium rates, filing instructions, reporting requirements, and more.
PBGC’s Single-Employer Program
Types of Single-Employer Plan Terminations

**Employer-Initiated**

*“Voluntary”*

- **Standard**
  - Sufficient assets
  - Obligations settled outside of PBGC – annuities and lump sums

- **Distress**
  - Insufficient assets
  - PBGC Trustees

**PBGC-Initiated**

*“Involuntary”*

- Insufficient assets
- PBGC Trustees
Single-Employer Plan Guarantee

- Amount varies based on:
  - Participant’s age when benefit payments begin
  - Year plan terminates (annual indexing)
  - Form of payment

- Indexed

- Sample annual limit* for 2023 terminations
  - Age 55: $36,450
  - Age 60: $52,650
  - Age 65: $81,000
  - Age 70: $134,460

- In some cases, PBGC pays more than the guarantee to participants in terminated single-employer plans.

* Payable as a single life annuity
PBGC’s Multiemployer Program
PBGC’s Role with Respect to Multiemployer Plans

- Insurable event is insolvency
- Upon insolvency, PBGC provides “financial assistance,” but Board of Trustees continues to administer the plan
- Financial assistance provided to enable payment benefits only up to statutory guarantee level
  - Benefits above the guarantee are not payable
  - Guarantee level and PBGC premiums for multiemployer plans much lower than for single-employer plans
Multiemployer Plan Guarantee

• Guarantee - Participant’s service multiplied by:
  • 100% of the first $11 of the monthly benefit rate, plus
  • 75% of the next $33 of the monthly benefit rate

• Example
  • Benefit formula - $50 per month per year of service
  • Joe retires with 20 years of service
  • Joe’s accrued benefit is $1,000 per month ($50 x 20) or $12,000 per year

• PBGC guarantee

<table>
<thead>
<tr>
<th></th>
<th>Monthly Benefit</th>
<th>Annual Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% of 1st $11</td>
<td>$11 x 20 = $220</td>
<td>$2,640</td>
</tr>
<tr>
<td>75% of next $33</td>
<td>(.75 x $33) x 20 = $495</td>
<td>$5,940</td>
</tr>
<tr>
<td>0% of the remaining $6</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total guarantee</td>
<td></td>
<td>$8,580</td>
</tr>
</tbody>
</table>

Guarantee covers 72% of Joe’s benefit
<table>
<thead>
<tr>
<th></th>
<th>Single-Employer</th>
<th>Multiemployer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of covered plans</td>
<td>23,800</td>
<td>1,360</td>
</tr>
<tr>
<td>Number of participants in covered plans</td>
<td>22.3 million</td>
<td>11.2 million</td>
</tr>
<tr>
<td>Insurable event</td>
<td>Plan Termination</td>
<td>Plan Insolvency</td>
</tr>
<tr>
<td>FY 2022 PBGC financial position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Assets</td>
<td>$ 124.4B</td>
<td>$ 3.5B</td>
</tr>
<tr>
<td>• Liabilities (includes “probable” losses)</td>
<td>$ 87.8B</td>
<td>$ 2.4B</td>
</tr>
<tr>
<td>• Net position</td>
<td>$ 36.6B</td>
<td>$ 1.1B</td>
</tr>
<tr>
<td>FY 2022 premium income</td>
<td>$ 4.6B</td>
<td>$ 339M</td>
</tr>
<tr>
<td>FY 2022 payouts for retirees &amp; beneficiaries</td>
<td>$ 7.0B</td>
<td>$ 226M*</td>
</tr>
<tr>
<td>2023 maximum annual guaranteed benefit</td>
<td>$ 81,000</td>
<td>$ 12,870**</td>
</tr>
</tbody>
</table>

* Excludes payouts funded by Special Financial Assistance.

** Two-tier guarantee: 100% of the first $3,960, 75% of the next $11,880. Not indexed.
ARP Special Financial Assistance
The SFA Program authorized under the American Rescue Plan Act ensures that millions of America’s workers, retirees, and their families receive the pension benefits they earned through many years of hard work.

Additionally, it assists plans by providing funds to reinstate suspended benefits and addresses the solvency of PBGC’s Multiemployer Insurance Program, which was projected to become insolvent in 2026.

PBGC’s final rule implements the program and establishes conditions to keep multiemployer plans sustainable long into the future.
SFA Program Milestones

- March 11, 2021: American Rescue Plan Act signed into law
- July 21, 2021: SFA Interim Final Rule published
- December 21, 2021: First application approved
- January 18, 2022: First payment to a plan
- August 8, 2022: SFA Final Rule becomes effective
- March 11, 2023: Non-priority application group process begins
- April 3, 2023: 1st Limited SFA application portal opening
- July 5, 2023: 2nd Limited SFA application portal opening
- July 19, 2023: 3rd Limited SFA application portal opening
The American Rescue Plan Act provides for special financial assistance to enhance retirement security for millions of Americans.

- About 210 plans likely eligible
- Impacting millions of participants
- Estimated $79.7 billion in SFA payments
## SFA Applications – Current Status
(as of October 16, 2023)

*Includes 65 full applications and 35 supplemented applications.** 10 plans have withdrawn their applications and not yet reapplied. In addition, 111 plans have submitted requests to be added to the application waiting list, 17 of which have since applied.

<table>
<thead>
<tr>
<th></th>
<th>Applications Approved</th>
<th>Applications Denied</th>
<th>Applications in Review**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Applications</td>
<td>100*</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Aggregate $ SFA (approved or requested)</td>
<td>$53.4 billion</td>
<td>$132.2 million</td>
<td>$11.7 billion</td>
</tr>
<tr>
<td>Aggregate Participant Count</td>
<td>767,692</td>
<td>1,122</td>
<td>588,262</td>
</tr>
</tbody>
</table>
Because of the extensive review process required for SFA applications, PBGC is limited in the number of applications it can review at any time, but statute requires reviews be complete within 120 days.

The first application period (for priority group plans) ended March 10, 2023.

While the portal is closed, PBGC accepts requests to be placed on a waiting list for plans seeking to apply for SFA.

- Eligible plans that are insolvent or expected to be insolvent within one year retain ability to submit emergency filings when the e-Filing Portal is closed.

Plans on the Waiting List can “lock in” the measurement date, interest rates, and plan data used in the calculation.
PBGC.gov has resources for plans, practitioners, and participants in multiemployer plans.

Visit [PBGC.gov/arp-sfa](http://PBGC.gov/arp-sfa) to view the Final Rule, read the Frequently Asked Questions, and view PBGC SFA webinars.
Projections Report
Provides financial projections under a range of possible outcomes based on stochastic modeling, and includes:

- Annual 10-year projection of PBGC’s financial position
- 40-year projection of Multiemployer Program solvency
- Stress test of Single-Employer Program
Key Results – Multiemployer Program

Likely to remain solvent beyond FY 2062
• Insolvent by FY 2026 prior to American Rescue Plan Act

Mean financial position is a deficit of $7.1B in FY 2032
• But >50% of scenarios result in a positive 10-year net position

Total mean SFA payments now $79.7B, down from $82.7B
• Final amount still uncertain until all applications received
PBGC’s Insolvency Date is Further Extended

Figure 6 – PBGC Multiemployer Fund Assets, Traditional Financial Assistance Payments and Premiums by Fiscal Year

(Results in Nominal Dollars)

Note: Figure does not show SFA payments but reflects their impact on PBGC assets and traditional financial assistance payments.
Key Results – Single-Employer Program

Projected FY 2032 surplus is $63.6B (in 2022 dollars)
- Net position at 9/30/2022 is $36.6B
- Nearly all scenarios have a positive net position during the forecast period

Claims projected to remain low due to improved plan funding
- 85% of scenarios have 10-year claims below $12B

In an extreme stress test the SE Program does not fall into deficit
- Stress test includes 10-year claims of $40B with -20% return on plan assets in first year
Figure 13 – Single-Employer Program Projected Net Financial Position

Historical Experience FY 2013-2022 and FY 2023-2032 Projections

- Yellow: Projected Mean
- Green: 99% - 85%
- Dark Green: 85% - 50%
- Blue: 50% - 15%
- Light Green: 15% - 1%
- Red: Actual (Historic Dollars)
Thank you