

# Alliance for Retired Americans Pension Symposium

Pension Benefit Guaranty Corporation

*October 17, 2023*

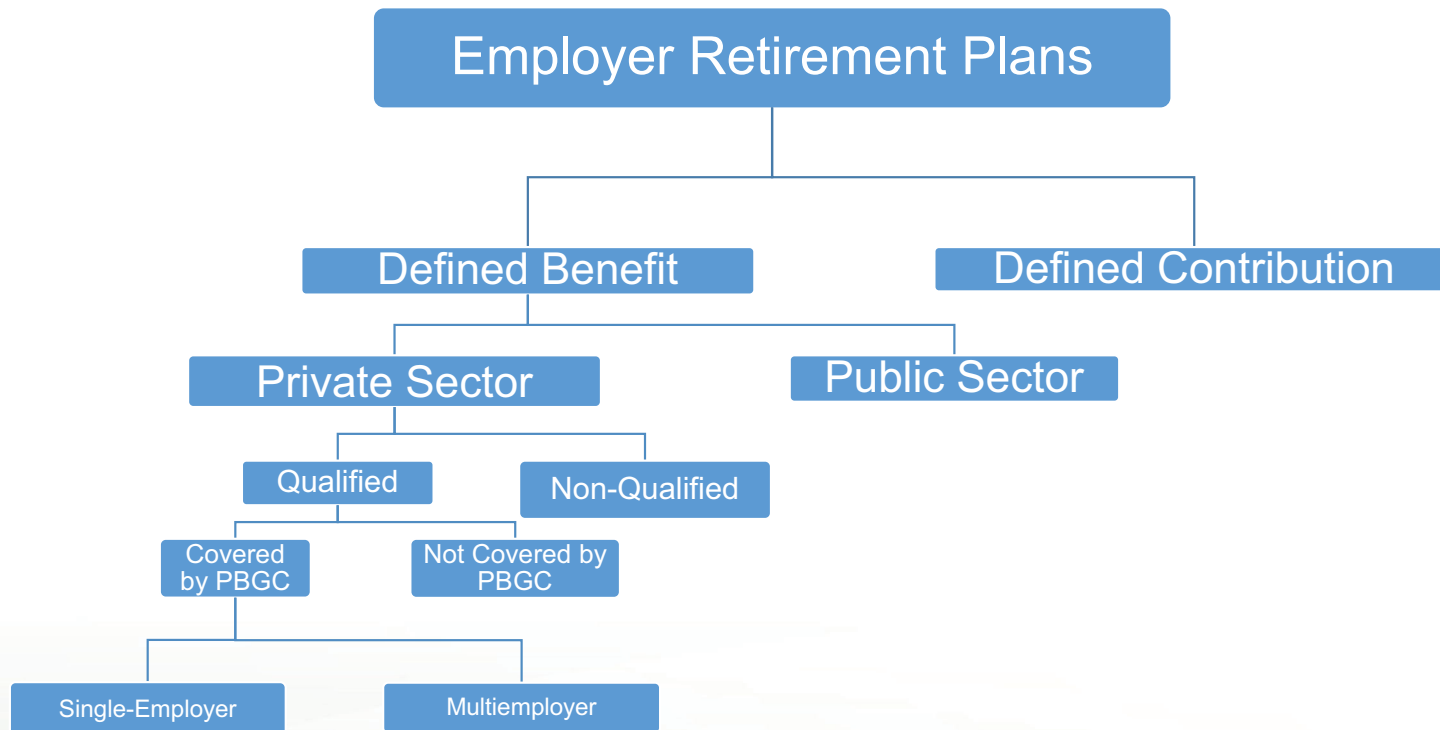
*Anne Henderson, Senior Advisor*

*Kevin Muse, Supervisory Actuary*



For Informational Purposes/Not for Public Distribution

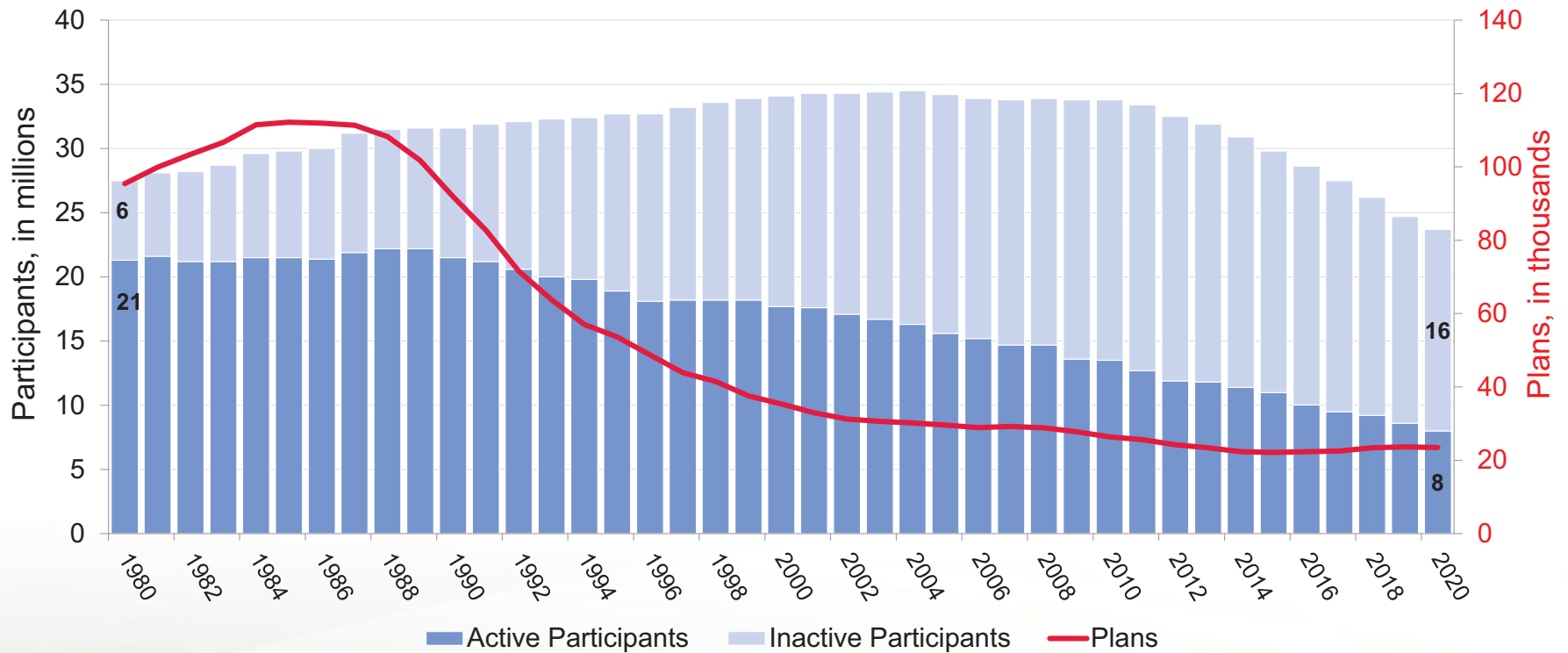
# Types of Employer-Sponsored Retirement Plans



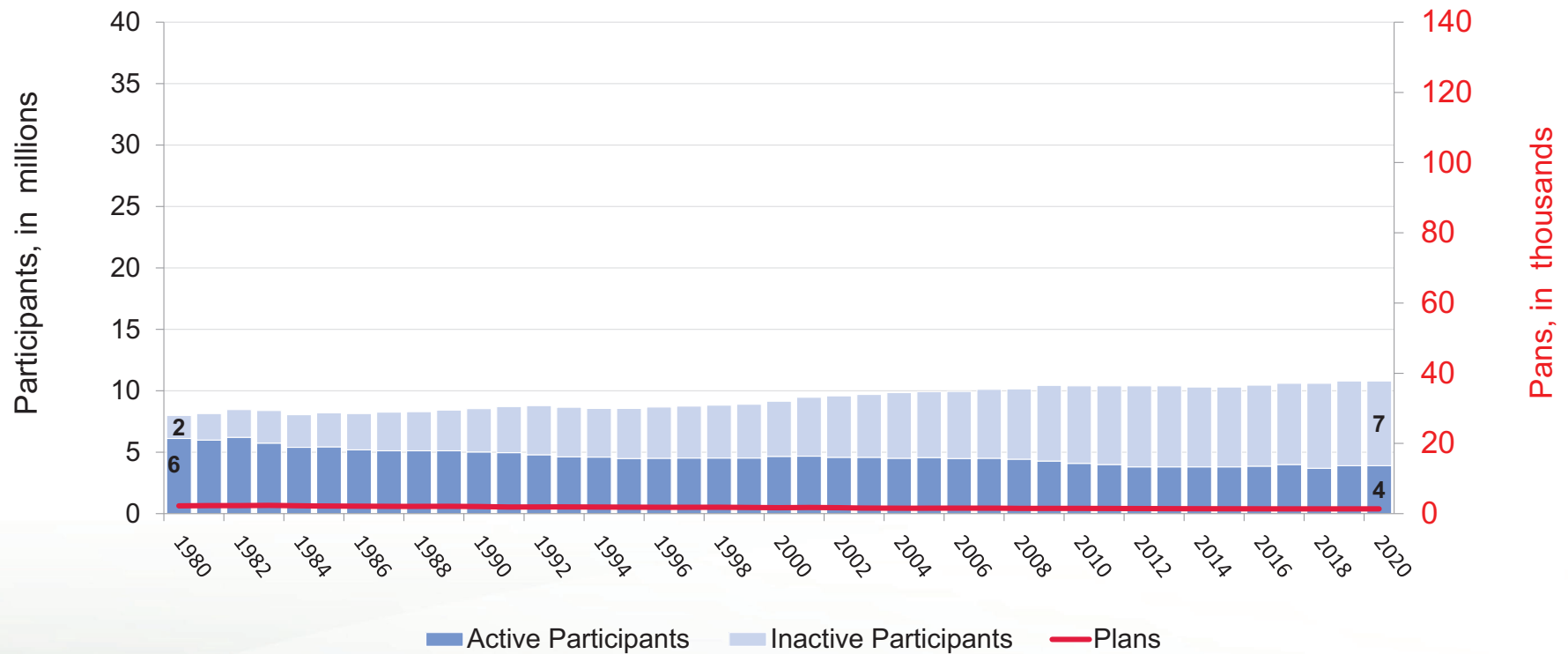
# Overview of PBGC

- 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 administers 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 provide 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



# PBGC-Insured Participants and Plans Multiemployer Plans Only



# 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”

Single-Employer Program	Multiemployer Program
<ul style="list-style-type: none"><li>• Premiums</li><li>• Assets from plans that PBGC trustees</li><li>• Recoveries in bankruptcies</li><li>• Investment income</li></ul>	<ul style="list-style-type: none"><li>• Premiums</li><li>• Investment Income</li></ul>

# PBGC.gov Resources

## Workers & Retirees resources

- Search insured and trustee plans
- Learn about PBGC benefit options
- Use MyPBA to manage benefits
- Read the latest updates and FAQs



## Workers & Retirees

### Retiree Update

This page contains important information and useful tips for retirees receiving monthly pension benefits from PBGC.



#### Manage Your Benefits

Here you will find information on applying for your retirement benefit, designating a beneficiary, requesting an income verification letter, adjusting your Federal tax withholding, reporting a death, and more.



#### Is PBGC Responsible for My Benefits?

Congress established PBGC to protect traditional, defined-benefit pensions sponsored by private-sector employers. See if your retirement benefits are protected by PBGC.

- [PBGC-Trusteed Plans: Failed Plans-PBGC Pays Benefits](#)
- [Plans Paying PBGC](#)



#### Learn About Benefits

If your defined benefit pension plan ends without sufficient money to pay all benefits, PBGC's insurance program will pay you the benefit provided by your pension plan up to the limits set by law. Learn more about the benefits PBGC guarantees, including the [required start date](#) for receiving benefits.

#### How Can We Help?

- [I received a letter saying PBGC is responsible for my pension plan](#)
- [I want to apply for my PBGC benefit](#)
- [I want to change my address](#)
- [I want to change my federal tax withholding amount](#)
- [I received an Annual Funding Notice from my pension plan](#)
- [I am looking for a pension benefit from a former employer](#)
- [I am worried my](#)

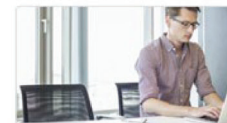
## Employers & Practitioners resources

- See latest PBGC interest rates
- Learn about online filing (My PAA)
- Review forms and reporting requirements
- Read the latest updates and FAQs



## Employers & Practitioners

Are you an employer or practitioner responsible for the administration of a pension plan? If so, this is your portal to working with PBGC.



#### PBGC Premiums

Information on premium filings, mailing addresses, due dates, premium rates, late payment charges, and more.



#### Interest Rates & Factors

Information on rates used for calculating premiums, lump-sum benefits, multiemployer withdrawal liability, and more.

#### What's New

October 13: [2024 Premium Rates](#)

September 26: [Overnight Delivery of Paper Premium Payment Checks](#)

August 17: [Valuation Assumptions and Methods Proposed Rule](#)

August 7: [ERISA 4010 Reporting Waiver](#)

July 27: [Updated SFA Information Includes Census Data Required Documentation](#)

[See All](#)



#### FAQs For Practitioners



#### Risk Mitigation & Early Warning



#### Plan Terminations



## 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.

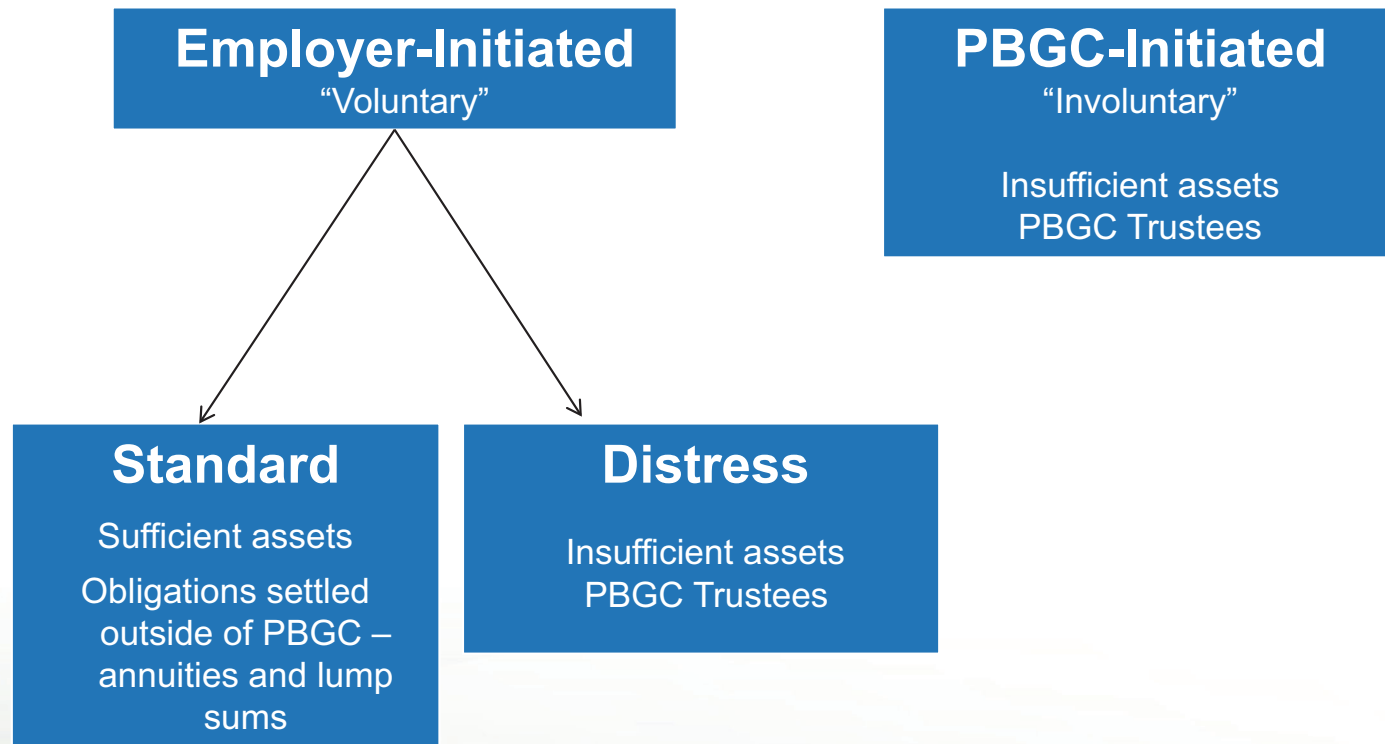
The screenshot shows the PBGC.gov website. At the top left is the PBGC logo with the text "Pension Benefit Guaranty Corporation" and "A U.S. GOVERNMENT AGENCY". To the right are links for "Contact Us", "Glossary", "Languages", and "Español", along with a search bar. A navigation bar below contains "About PBGC", "Workers & Retirees", "Employers & Practitioners", "News & Policy", and "MyPBA Login". The main content area has a breadcrumb trail: "Home > Employers & Practitioners > What's New for Employers & Practitioners". The title "What's New for Employers & Practitioners" is followed by a link: "Sign up to receive What's New for Practitioners email updates". Below this are three news items: "2024 Premium Rates", "Overnight Delivery of Paper Premium Payment Checks", and "Valuation Assumptions and Methods Proposed Rule". At the bottom, there is a link for "ERISA 4010 Reporting Waiver". On the right side of the page, there is a "Sign Up For Email Updates" box with a "Subscribe" button, which is highlighted by a red arrow.



# **PBGC's Single-Employer Program**



# Types of Single-Employer Plan Terminations



# 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



# 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 ( $\$50 \times 20$ ) or \$12,000 per year
- PBGC guarantee

	Monthly Benefit	Annual Benefit
100% of 1st \$11	$\$11 \times 20 = \$220$	\$2,640
75% of next \$33	$(.75 \times \$33) \times 20 = \$495$	\$5,940
0% of the remaining \$6	\$0	\$0
Total guarantee		\$8,580

Guarantee covers 72% of Joe's benefit

# Program Comparison FY 2022

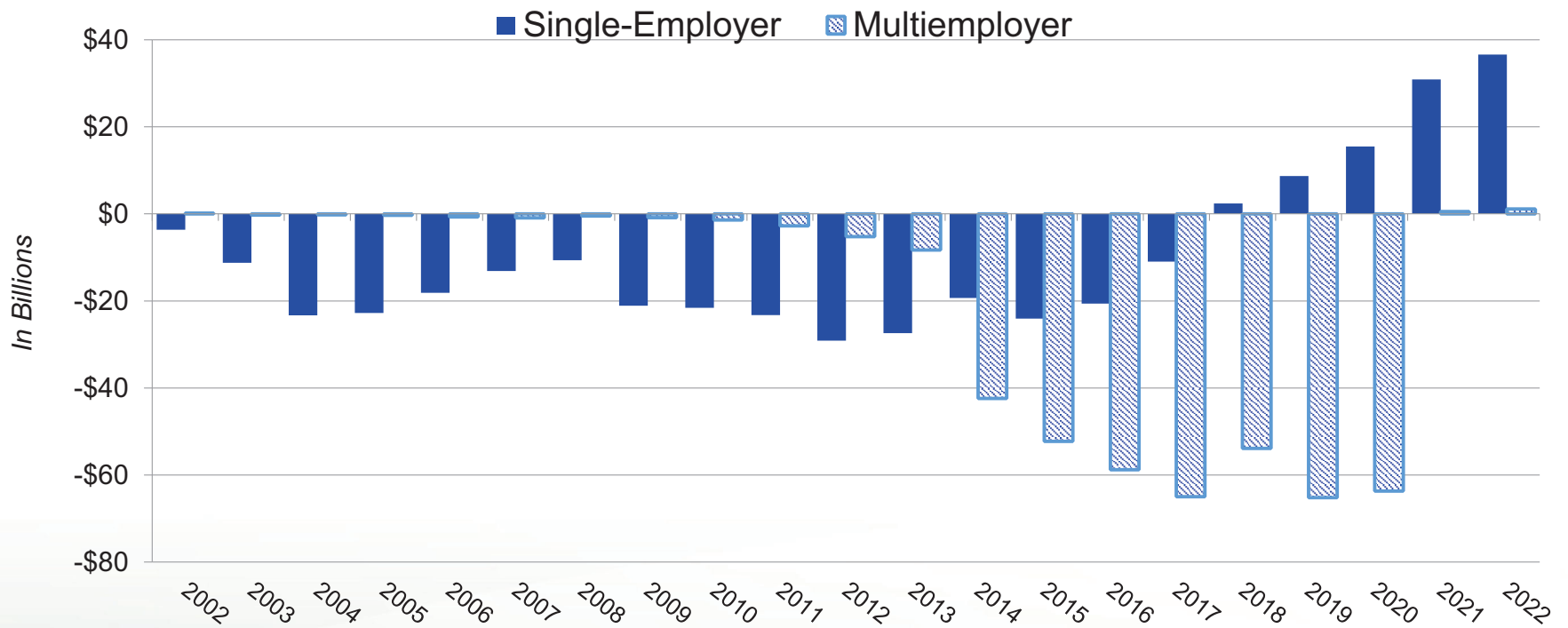
	Single-Employer	Multiemployer
Number of covered plans	23,800	1,360
Number of participants in covered plans	22.3 million	11.2 million
Insurable event	Plan Termination	Plan Insolvency
FY 2022 PBGC financial position		
• Assets	\$ 124.4B	\$ 3.5B
• Liabilities (includes “probable” losses)	<u>87.8B</u>	<u>2.4B</u>
• Net position	\$ 36.6B	\$ 1.1B
FY 2022 premium income	\$ 4.6B	\$ 339M
FY 2022 payouts for retirees & beneficiaries	\$ 7.0B	\$ 226M*
2023 maximum annual guaranteed benefit	\$ 81,000 SLA for age 65 retiree, regardless of service	\$ 12,870** Retiree w/30 years of service, any age

\* Excludes payouts funded by Special Financial Assistance.

\*\* Two-tier guarantee: 100% of the first \$3,960, 75% of the next \$11,880. Not indexed.



# FY 2002-2022 PBGC Net Financial Position





# **ARP Special Financial Assistance**

---

---

PBGC



## SFA Overview

- 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 1<sup>st</sup> Limited SFA application portal opening
- July 5, 2023 2<sup>nd</sup> Limited SFA application portal opening
- July 19, 2023 3<sup>rd</sup> Limited SFA application portal opening

# Special Financial Assistance Expected Reach

The American Rescue Plan Act provides for special financial assistance to enhance retirement security for millions of Americans.



# SFA Applications – Current Status

(as of October 16, 2023)

	Applications Approved	Applications Denied	Applications in Review**
<b>Number of Applications</b>	100*	1	25
<b>Aggregate \$ SFA (approved or requested)</b>	\$53.4 billion	\$132.2 million	\$11.7 billion
<b>Aggregate Participant Count</b>	767,692	1,122	588,262

\* 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.

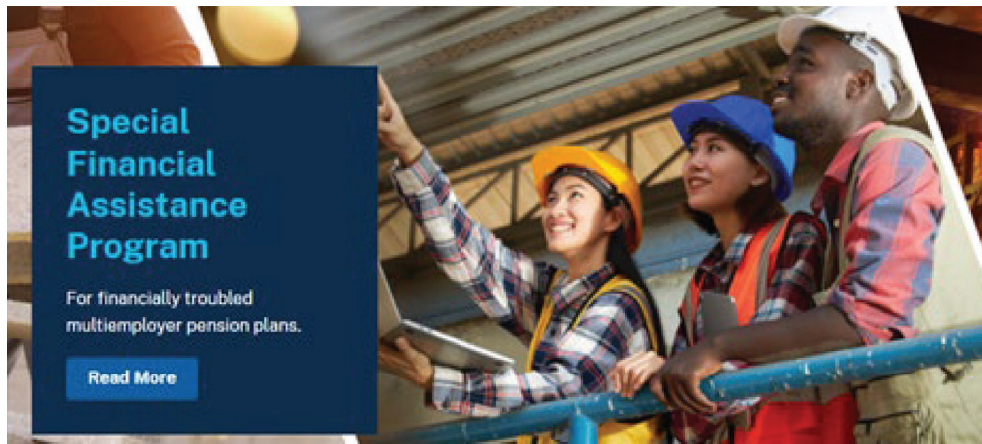
# SFA Application Process

- 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



# SFA Resources on PBGC.gov

PBGC.gov has resources for plans, practitioners, and participants in multiemployer plans.



## American Rescue Plan Act of 2021 Resources

- [American Rescue Plan \(ARPA\) Act of 2021](#) <sup>PDF</sup> [congress.gov]
- [PBGC American Rescue Plan Overview](#)
- [SFA Final Rule](#) <sup>PDF</sup>
- [SFA Final Rule Factsheet](#) <sup>PDF</sup>
- [SFA Final Rule Press Release \(7/6/2022\)](#)
- [White House Fact Sheet](#) <sup>PDF</sup>
- [Interim Final Rule](#) <sup>PDF</sup>
- [SFA Assumptions Guidance](#) <sup>PDF</sup>
- [Status of SFA Applications](#)
- [SFA Application Guidance for Non-Priority Plans](#)
- [Special Financial Assistance Comments](#)
- [Frequently Asked Questions](#)
- [Instructions / Templates](#)
- [Webinars](#)

Visit [PBGC.gov/arp-sfa](https://www.pb.gc.gov/arp-sfa) to view the Final Rule, read the Frequently Asked Questions, and view PBGC SFA webinars.





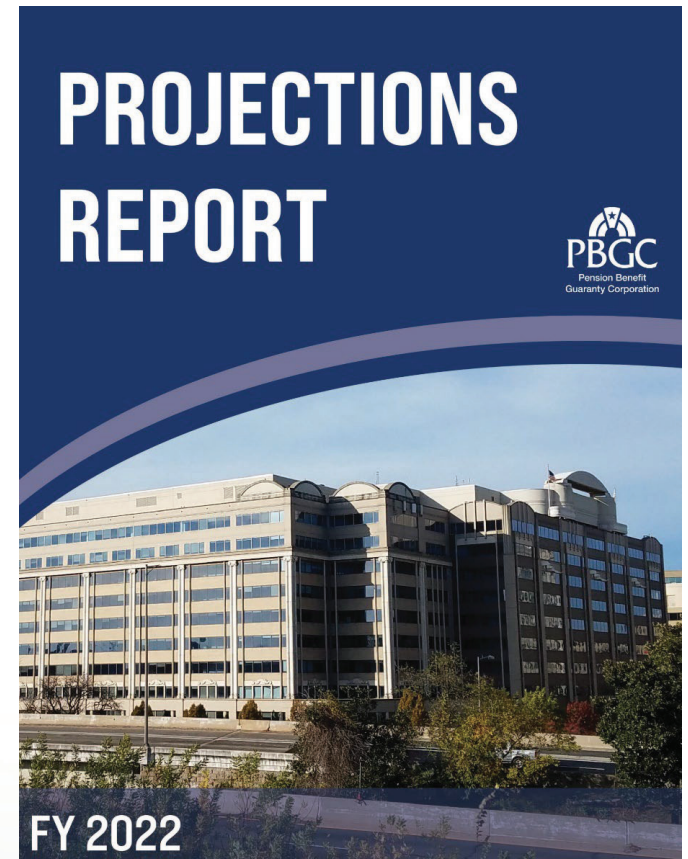
# Projections Report

PBGC

# 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

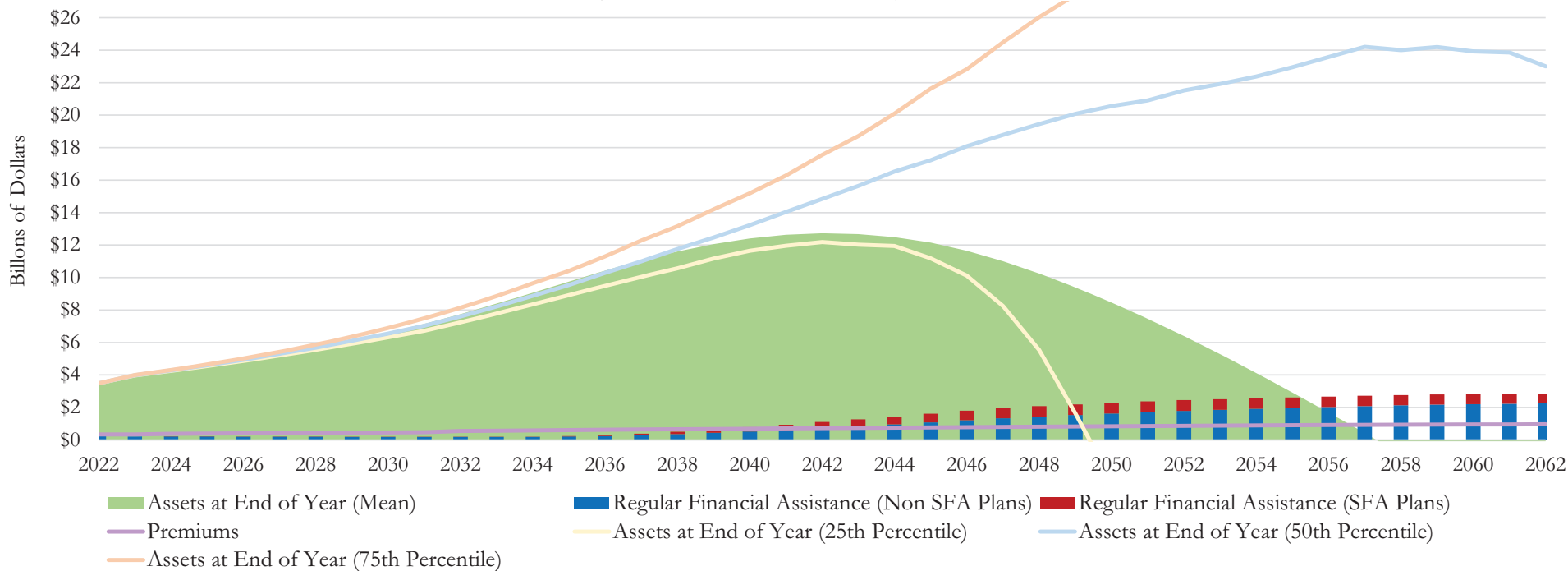
Total mean SFA payments now \$79.7B, down from \$82.7B

- 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

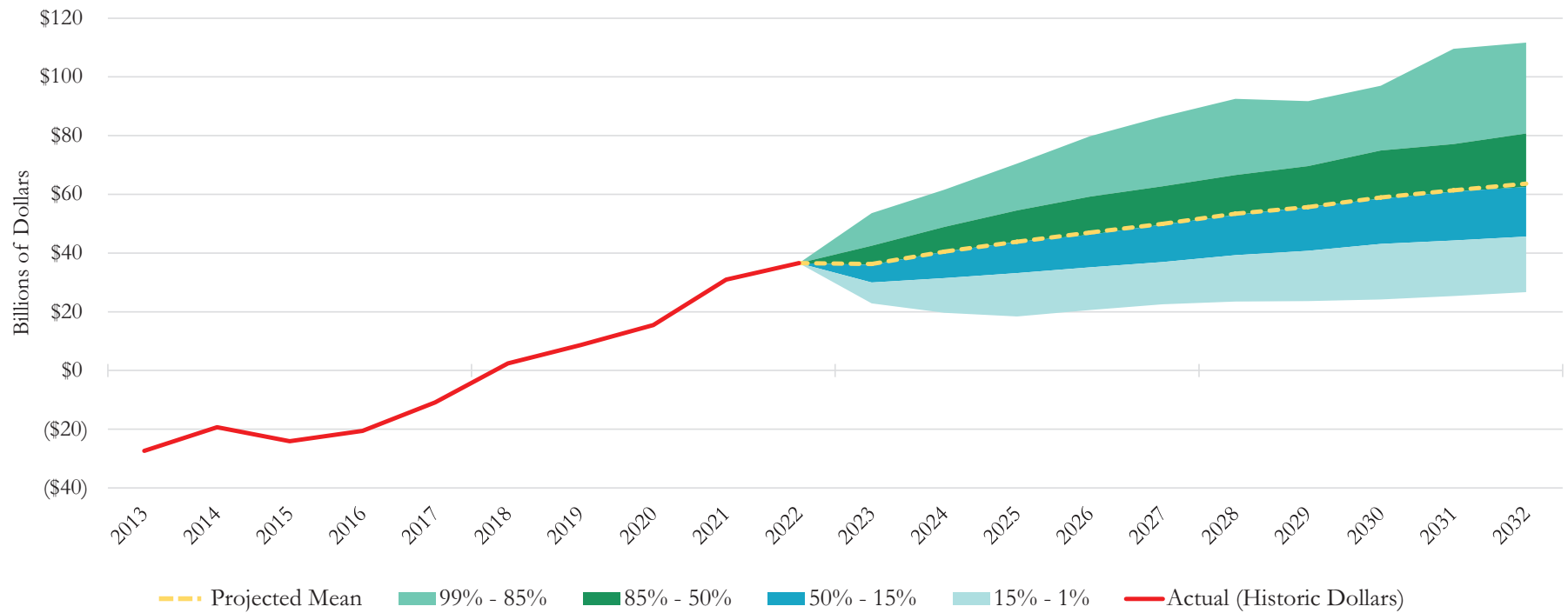
In an extreme stress test the SE Program does not fall into deficit

- Stress test includes 10-year claims of \$40B with -20% return on plan assets in first year

# Single-Employer: Continued Improvement Expected

Figure 13 – Single-Employer Program Projected Net Financial Position

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





**Thank you**



PBGGC