Lessons Learned from Successful Applications

United Furniture Workers Pension Fund A

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How did they get there?
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- Retirees
- Terminated Vested
- Actives

2006: 2.8
2007: 3.3
2008: 3.6
2009: 3.7
2010: 4.5
2011: 6.0
2012: 6.9
2013: 6.7
2014: 8.2
2015: 8.7
Baseline Projection

- Returns: 12.53% for the PYE Feb 2017, 3.00% for PYE 2018, increasing 1% per year for three years, 6.75% thereafter
- 5.5% contribution rate increases, 10% membership declines
- No benefit changes until projected insolvency, then PBGC guarantee
- Insolvent projected July 2021
- PBGC Exposure (valued at 2.82%): $218.4 million
After Suspension and Partition

- Returns: same as baseline
- 1.5% contribution rate increases, and stable membership
- MPRA Suspension & Partition Effective September 1, 2017, 56% of the Inactive and 100% of the Terminated Vested Benefit Payments
- PBGC Exposure (valued at 2.82%): $162.7 million ($55.7 million savings)
Application Process

December 16, 2014

Feb - August 2015
• Discuss with Board
  Fall 2015
  • Request PBGC preliminary review
    July 1, 2016
  • Original application for Partition
    August 11, 2016
  • Original Application for Suspension and Partition
    Fall 2016
  Send information to PBGC
  February 21, 2017
  Withdraw Application
  March 15, 2017
  Revised Application sent
  July 20, 2017
  APPROVED!!!
Key Lessons Learned

• Engage PBGC in discussion early for preliminary review
  – No charge for discussing with them

• Projections must demonstrate 3 key items
  – Minimum liability to partition to avoid insolvency
  – Solvency ratio doesn’t decrease in last 5 years
  – Available resources do not decrease in last 5 years

• Reasonable assumptions
Key Lessons Learned

• PBGC provides technical assistance to Treasury
  – Reviews participant benefit information
  – Form an opinion about the projected benefit payments reflected in proposed suspension application
  – Detailed test lives sent to PBGC – focus is on benefits, not liabilities

• Communicate openly with participants