2022 NCCMP
Annual Conference
Gordon Hartogensis
Director, Pension Benefit Guaranty Corporation

September 19, 2022
Agenda

- Introduction
- American Rescue Plan Act and PBGC Special Financial Assistance Final Rule
- PBGC FY 2021 Projections Report
- Q&A
PBGC Special Financial Assistance Final Rule
The American Rescue Plan Act provides for special financial assistance to enhance retirement security for millions of Americans.

About 200 plans likely eligible

Impacting millions of participants

Estimated $82 billion in SFA payments

Updated estimates based on Final Rule
• Permissible investments for SFA funds
• Interest rate assumptions to calculate SFA amount
• Fiduciary concerns for MPRA plans (plans that implemented benefit cuts)
• Plan mergers
• Employer withdrawal liability and other conditions for plans that receive SFA
• Application process/timing
### Expansion of Permissible Investments

<table>
<thead>
<tr>
<th>IFR Provision</th>
<th>What Changed</th>
<th>Reason for Change</th>
</tr>
</thead>
</table>
|               | • SFA invested 100% in investment grade fixed income | • Better allows plans to project to pay benefits through 2051  
|               |                      | • Strikes a balance between investment risk and investment returns |
|               | • Up to 33% of SFA assets may be invested in return-seeking assets (RSA) |                                          |
Use of Two Interest Rates

IFR Provision

- Single interest rate for SFA and non-SFA assets

What Changed

- Use of two separate interest rates for SFA and non-SFA assets; reflects expansion of permissible investments

Reason for Change

- Addresses interest rate mismatch thus better enabling plans to project to pay benefits through 2051
MPRA Plans – Methodology and SFA Calculation

IFR Provision

- No special SFA calculation for MPRA plans

What Changed

- SFA equals greatest of the non-MPRA SFA amount, present value of reinstated benefits, and amount needed to project increasing assets in 2051

Reason for Change

- Addresses possible dilemma between choosing to accept SFA or maintaining MPRA suspensions to keep plan on projected path of indefinite solvency
Changes to SFA Conditions

- Benefit Improvements
- Mergers and Transfers
- Contribution Allocations
- Withdrawal Liability
## Changes in Estimated SFA Program Costs

Program cost estimates are sensitive to plan asset values and SFA interest rates at time of plan application.

<table>
<thead>
<tr>
<th>Estimated SFA Program Costs</th>
<th>Mean Stochastic Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARP Original CBO Estimate</td>
<td>$86 billion</td>
</tr>
<tr>
<td>Interim Final Rule: Mean estimate</td>
<td>$93.98 billion</td>
</tr>
<tr>
<td>Updates for more recent data and economic assumptions (as of 12/31/2021)</td>
<td>($17.30) billion</td>
</tr>
<tr>
<td>Regulation changes*</td>
<td>$5.64 billion</td>
</tr>
<tr>
<td>Final Rule: Mean estimate</td>
<td>$82.32 billion</td>
</tr>
<tr>
<td><strong>Range estimate: 15th – 85th percentile</strong></td>
<td>$74.34 – $90.85 billion</td>
</tr>
</tbody>
</table>

*The change in permissible investments and the use of two interest rates increased the mean SFA estimate by approximately $4.40 billion. The additional provision for the MPRA plans costs approximately $1.24 billion.
## Current Status of Application Inventory

### As of September 16, 2022

<table>
<thead>
<tr>
<th>Applications Approved</th>
<th>Applications in Review</th>
<th>Number of Plans</th>
<th>Applications Approved</th>
<th>Applications in Review</th>
<th>Aggregate $ SFA (approved or requested)</th>
<th>Aggregate Participant Count</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>30</td>
<td>30</td>
<td>9</td>
<td>$7.5 billion</td>
<td>152,479</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$36.3 billion</td>
<td>407,379</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$918.6 million</td>
<td>122,214**</td>
</tr>
<tr>
<td>Full Applications</td>
<td>Supplemented Applications</td>
<td>9</td>
<td></td>
<td>19*</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* 2 of 19 supplemented applications request no additional SFA  
** Participants already included in applications approved total
Outreach & Communications

• Rollout
  • July 6 – President Biden announcement with Secretary Walsh in Cleveland, Ohio
    – Hill Staff Briefing & Press Call
  • July 7 – PBGC Webinar to Provide Overview of the Final Rule

• Additional PBGC Hosted Webinars (recordings posted on pbgc.gov)
  • July 28 – Special considerations for plans that previously applied or are currently eligible to apply
  • August 4 – Application documents and guidance walk through
  • August 16 – Permissible Investments
  • TBD – Changes to Conditions, including withdrawal liability and Annual Statement of Compliance
PBGC FY 2021 Projections Report
FY 2001-2021 Net Financial Position

Billions of Dollars

- $70
- $60
- $50
- $40
- $30
- $20
- $10
- $0
$10
$20
$30
$40
$50
$60
$70


Single-Employer  Multiemployer
**Program Comparison FY 2021**

<table>
<thead>
<tr>
<th>Source: PBGC 9/30/2021 Annual Report</th>
<th>Single-Employer</th>
<th>Multiemployer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of covered plans</td>
<td>23,900</td>
<td>1,360</td>
</tr>
<tr>
<td>Number of participants in covered plans</td>
<td>22.7 million</td>
<td>10.9 million</td>
</tr>
<tr>
<td>Insurable event</td>
<td>Plan Termination</td>
<td>Plan Insolvency</td>
</tr>
<tr>
<td>FY 2021 PBGC financial position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Assets</td>
<td>$150.7 B</td>
<td>$3.5 B</td>
</tr>
<tr>
<td>• Liabilities (includes “probable” losses)</td>
<td>119.8 B</td>
<td>3.0 B</td>
</tr>
<tr>
<td>• Net position</td>
<td>$30.9 B</td>
<td>$0.5 B</td>
</tr>
<tr>
<td>FY 2021 premium income</td>
<td>$4.5 B</td>
<td>$331 M</td>
</tr>
<tr>
<td>FY 2021 payouts for retirees &amp; beneficiaries¹</td>
<td>$6.4 B</td>
<td>$230 M</td>
</tr>
<tr>
<td>2022 maximum annual guaranteed benefit</td>
<td>$74,455</td>
<td>$12,870²</td>
</tr>
</tbody>
</table>

¹ Payouts shown for the Multiemployer Program are “regular” financial assistance loans to insolvent plans, which includes funds to pay out administrative expenses.

² Two-tier guarantee: 100% of the first $3,960, 75% of the next $11,880. Not indexed.
Projects PBGC’s FY 2031 financial position for the Single-Employer and Multiemployer Insurance Programs

- For the Multiemployer System, also includes a 40-year projection of the program’s future solvency

- Projections are *estimates, not predictions*
  - Hundreds of economic scenarios
  - Wide range of possible outcomes
Key Results
Key Multiemployer Program Results

- SFA is projected to be paid to approximately 200 ME plans with total payments likely between $75B and $91B.
- The median projected solvency of ME Program improved from FY 2055 to past FY 2061.
- Prior to the ARP, ME Program was expected to become insolvent in FY 2026.
- ME Program mean projected FY 2031 negative net position of $5.1B.
  However, the median result shows a modest positive net position of $4.1B.
ME Program Insolvency Date is Extended

Figure 5 – PBGC Multiemployer Fund Assets, Regular 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 regular financial assistance payments.
Figure 7 – Multiemployer Program Projected Net Financial Position
(Mean and percentile scenarios)

Historical Experience 2012-2021 and PV 2022-2031 Projections

65% probability of a positive net position in the ME Program at the end of FY 2031
Concluding Remarks
Questions?

For official PBGC statements, please contact PBGC Public Affairs at 202-229-4343 or PBGCExternalAffairs@PBGC.gov.