

PBGC

2022 NCCMP Annual Conference

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- 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**



Special Financial Assistance Estimates

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



Updated estimates based on Final Rule

Interim Final Rule – Public Comments

- 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

IFR Provision

- SFA invested 100% in investment grade fixed income

What Changed

- Up to 33% of SFA assets may be invested in return-seeking assets (RSA)

Reason for Change

- Better allows plans to project to pay benefits through 2051
- Strikes a balance between investment risk and investment returns

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

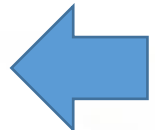
Changes to SFA Conditions

- 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

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



*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

	Applications Approved	Applications in Review	
		Full Applications	Supplemented Applications
Number of Plans	30	9	19*
Aggregate \$ SFA (approved or requested)	\$7.5 billion	\$36.3 billion	\$918.6 million
Aggregate Participant Count	152,479	407,379	122,214**

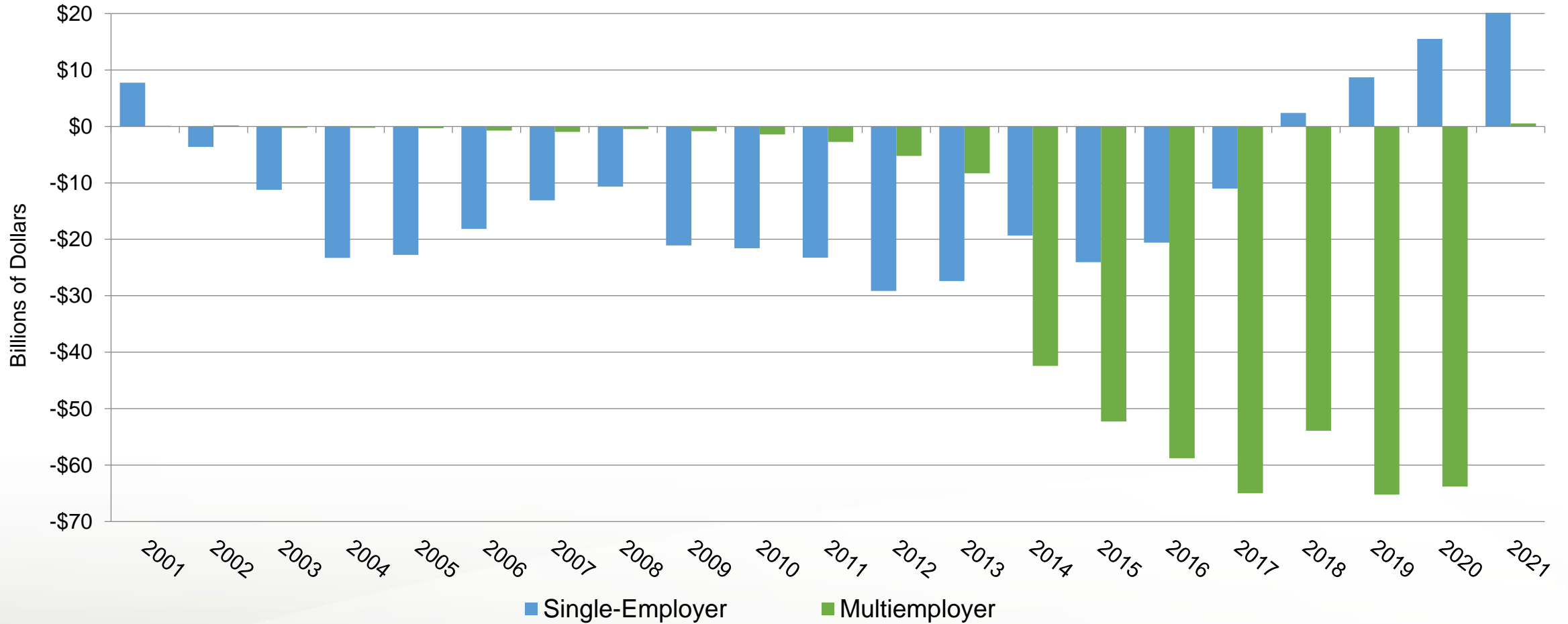
- Rollout
 - July 6 – President Biden announcement with Secretary Walsh in Cleveland, Ohio
 - Hill Staff Briefing & Press Call
 - July 7 – PBGC Webinar to Provide Overview of the Final Rule
- Additional PBGC Hosted Webinars (recordings posted on pbgc.gov)
 - July 28 – Special considerations for plans 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

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FY 2001-2021 Net Financial Position



Program Comparison FY 2021

Source: PBGC 9/30/2021 Annual Report	Single-Employer	Multiemployer
Number of covered plans	23,900	1,360
Number of participants in covered plans	22.7 million	10.9 million
Insurable event	Plan Termination	Plan Insolvency
FY 2021 PBGC financial position		
• Assets	\$ 150.7 B	\$ 3.5 B
• Liabilities (includes “probable” losses)	<u>119.8 B</u>	<u>3.0 B</u>
• Net position	\$ 30.9 B	\$ 0.5 B
FY 2021 premium income	\$ 4.5 B	\$ 331 M
FY 2021 payouts for retirees & beneficiaries ¹	\$ 6.4 B	\$ 230 M
2022 maximum annual guaranteed benefit	\$ 74,455 SLA for age 65 retiree, regardless of service	\$ 12,870 ² retiree w/30 years of service, regardless of age

First time both Programs have a positive net position since 2001

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



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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

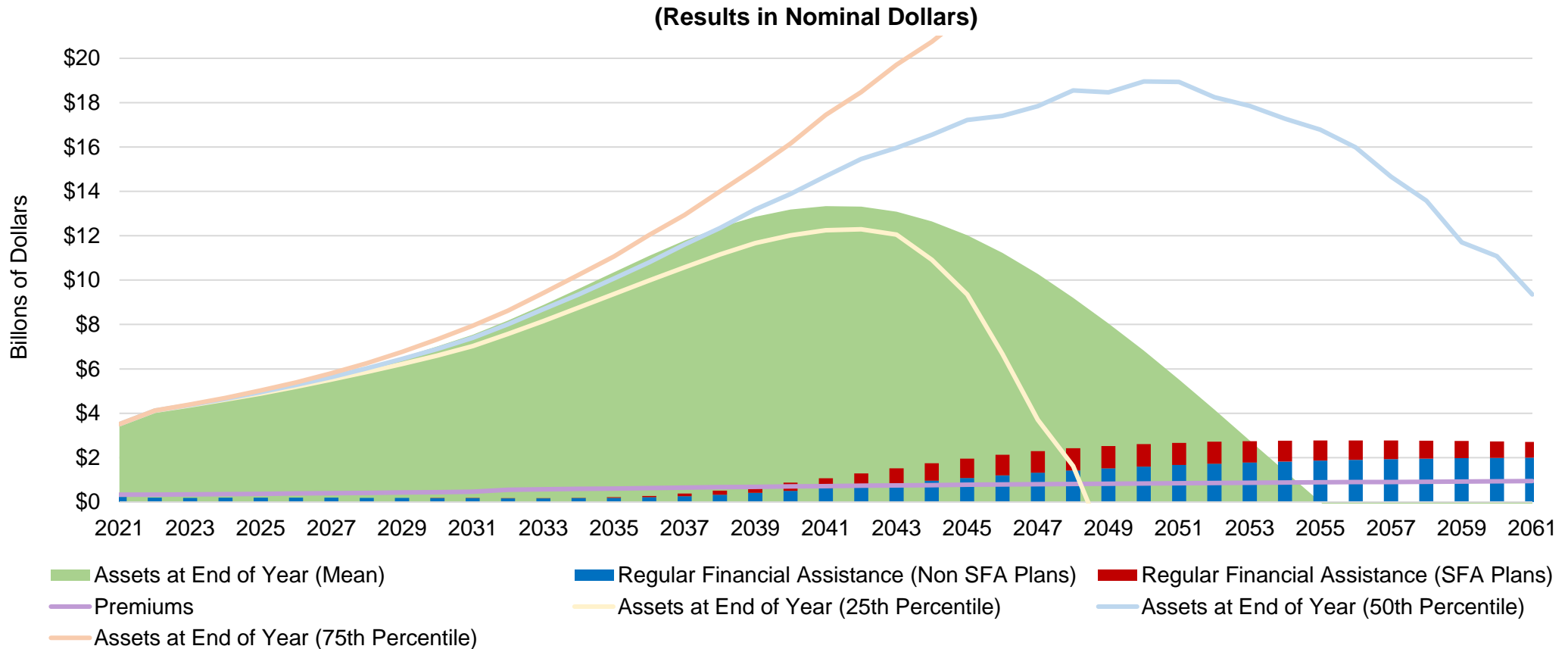
Prior to the ARP, ME Program was expected to become insolvent in FY 2026

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

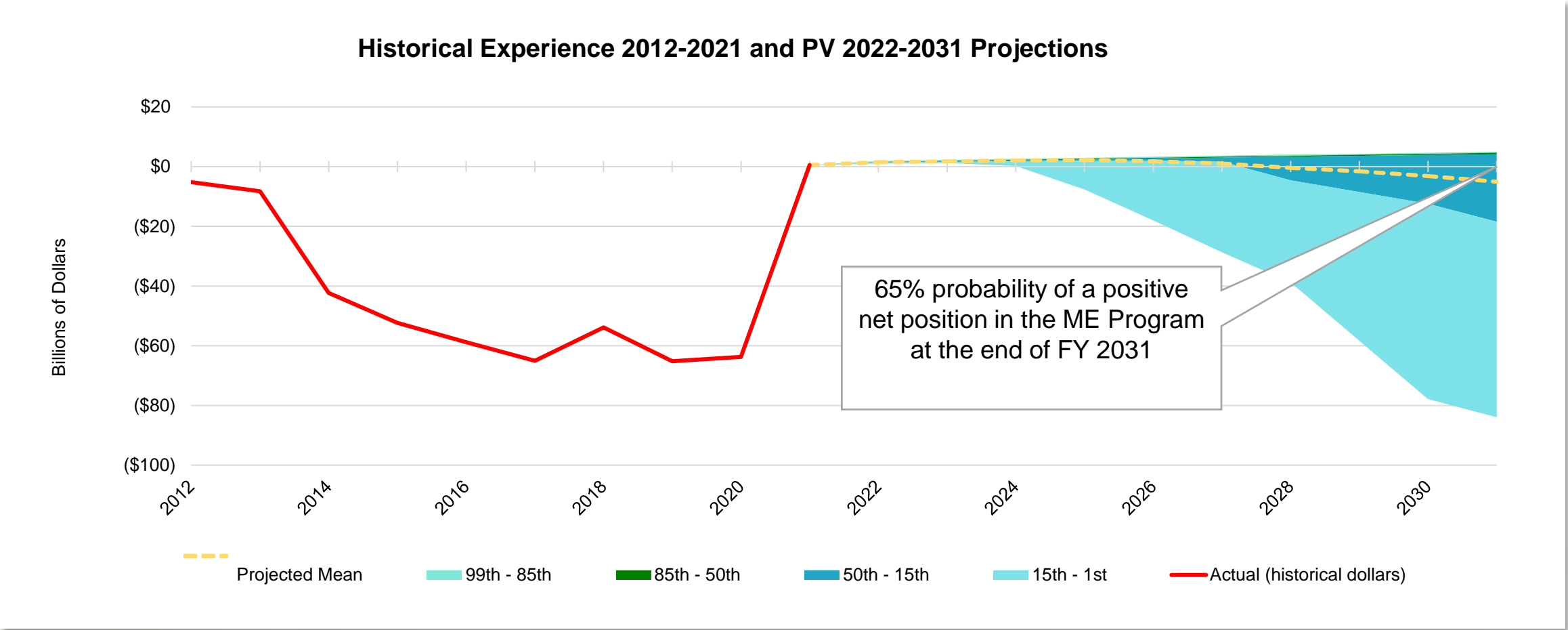
Figure 5 – PBGC Multiemployer Fund Assets, Regular Financial Assistance Payments and Premiums by Fiscal Year



Note: Figure does not show SFA payments but reflects their impact on PBGC assets and regular financial assistance payments.

Multiemployer Projected Net Position

**Figure 7 – Multiemployer Program Projected Net Financial Position
(Mean and percentile scenarios)**



Concluding Remarks



Questions?

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

