2022 Annual Report

PBGC

Pension Benefit Guaranty Corporation

A MESSAGE FROM OUR CHAIR

Protecting retirement security for America's workers remains a top priority of the Biden-Harris Administration. The Pension Benefit Guaranty Corporation (PBGC) plays a key role in these efforts by working with employers to preserve their pension plans, ensuring pension benefits, and paying guaranteed pension benefits on time to retirees. Today, nearly one million participants receive benefit payments of over $6.5 billion per year from the PBGC and more than 33 million workers and retirees are in plans insured by the PBGC.

On behalf of the PBGC Board of Directors, I am pleased to present the PBGC's FY 2022 Annual Report, which provides important information about the operations and finances of the PBGC Single-Employer and Multiemployer Insurance Programs. The report highlights many of PBGC's accomplishments over the past fiscal year to preserve plans and protect pensions, including achieving its 30th consecutive unmodified audit opinion.

Last year, Congress passed the American Rescue Plan Act, which enables PBGC to provide special financial assistance (SFA) to the most financially troubled multiemployer pension plans. This historic investment in defined benefit pensions will mean retirement security for millions. PBGC estimates that approximately 200 plans may be eligible for SFA and is currently accepting SFA applications. On July 8, 2022, PBGC published a final rule implementing changes to the SFA program, which better ensures plans can pay benefits through 2051. The final rule became effective on August 8, 2022. As of the end of FY 2022, PBGC had received 72 SFA applications requesting a total of $45.5 billion dollars in SFA. Additionally, as of the end of FY 2022, PBGC had approved 30 applications for $7.6 billion in SFA under the interim final rule.

I am also proud of the PBGC's continuing work on the Smaller Asset Managers Program (SAMP). Originally established in 2015 as a pilot program, the SAMP reduces barriers faced by smaller investment firms when competing for PBGC's business. Earlier this year, the Board approved establishing the SAMP as an ongoing program due to the pilot program's success. Recently, PBGC announced its plan to recompete its smaller asset manager contracts and to expand the number of contracts awarded under the program.

Retirement security plays a vital role in providing opportunities for America's workers to reach their long-term financial goals. My fellow Board members, Treasury Secretary Janet Yellen and Commerce Secretary Gina Raimondo, and I are proud of the work PBGC has accomplished in safeguarding workers' hard-earned retirement benefits by protecting pension plans. We are committed to providing strong oversight and leadership as the PBGC continues to strengthen its programs to meet future challenges.

Martin J. Walsh
Secretary of Labor
Chair of the Board

A MESSAGE FROM THE DIRECTOR

The Pension Benefit Guaranty Corporation has an important responsibility in protecting the retirement security of over 33 million workers, retirees, and their families who rely on private sector defined benefit pension plans. PBGC's team of dedicated professionals understands the impact of their work and strives to meet the highest levels of customer service in fulfilling the agency's mission.

In 2022, PBGC ranked number one in the small agency category of the "Best Places to Work in the Federal Government," an achievement that reflects the teamwork, talent, and commitment to excellence across the entire organization.

For the second year in a row, both PBGC's Multiemployer Program and Single-Employer Program have a positive net position at fiscal year-end. The Multiemployer Program had a positive net position of $1.1 billion at the end of FY 2022, compared to $481 million at the end of FY 2021, an improvement of $577 million. PBGC's Single-Employer Program remains financially healthy with a positive net position of $36.6 billion at the end of FY 2022, compared to $30.9 billion at the end of FY 2021, an improvement of $5.7 billion.

This year, PBGC has made significant progress in implementing the Special Financial Assistance (SFA) Program, established under the American Rescue Plan Act of 2021. The law addresses the solvency of PBGC's Multiemployer Program, which was projected to become insolvent in 2026. The SFA Program provides funding assistance to severely underfunded multiemployer pension plans and will ensure that millions of America's workers, retirees, and their families receive the pension benefits they earned through many years of hard work.

The agency continues to diligently implement the SFA Program by issuing regulations and guidance, developing internal controls to mitigate risks, and processing applications for financial assistance. During FY 2022, PBGC paid $7.5 billion in SFA, all of which was paid pursuant to applications approved under the provisions of the interim final rule. The agency remains committed to ensuring that the purposes of the SFA Program are realized in the coming months and years ahead.

In FY 2022, PBGC also continued to improve the agency's IT infrastructure, services, and security posture. PBGC's achievements in strengthening cybersecurity are reflected in high-level FISMA ratings for all major components of our cybersecurity program, with PBGC receiving an "effective" rating for its FISMA program for the second consecutive year.

The FY 2022 Annual Report is the 30th consecutive year the agency has received an unmodified audit opinion on its financial statements and the seventh consecutive year of an unmodified audit opinion on internal control over financial reporting. Additionally, as required by OMB Circular A-136, I am pleased to confirm with reasonable assurance the completeness and reliability of the data presented in the FY 2022 Annual Management Report and the FY 2022 Annual Performance Report, included in this Annual Report.

PBGC's success in delivering vital services to those who rely on the insurance programs are made possible because of our dedicated professionals and the ongoing support of our Board and their staff. I am proud and honored to lead PBGC as we all work together to strengthen the retirement security of millions of Americans.

Gordon Hartogensis
Director
November 15, 2022

FISCAL YEAR (FY) 2022 ANNUAL REPORT

This annual report is prepared to meet applicable legal requirements and is in accordance with and pursuant to the provisions of: the Government Corporation Control Act, 31 U.S.C. Section 9106; Circular No. A-11, Revised, "Preparation, Submission and Execution of the Budget," Office of Management and Budget, August 15, 2022; and Circular No. A-136 Revised, Financial Reporting Requirements (i.e., Government Corporations are only required to adhere to Section I.5 and Section V, and PBGC voluntary complies with Section II.2.4) Office of Management and Budget, June 3, 2022. Section 4008 of the Employee Retirement Income Security Act of 1974 (ERISA), 29 U.S.C. Section 1308, also requires an actuarial report evaluating expected operations and claims that will be issued as soon as practicable.

ANNUAL PERFORMANCE REPORT

The Pension Benefit Guaranty Corporation (PBGC or the Corporation) protects the retirement security of over 33 million American workers, retirees, and beneficiaries in both single-employer and multiemployer private-sector pension plans. The benefits of these participants are valued at more than $3 trillion. The Corporation's two insurance programs are legally separate and operationally and financially independent.

The Single-Employer Program is financed by insurance premiums paid by companies that sponsor defined benefit pension plans, investment income from plan assets trusteed by PBGC and recoveries from companies formerly responsible for the plans. The Multiemployer Program is financed by premiums paid by insured plans and investment income. Congress sets PBGC premium rates.

In addition, the American Rescue Plan (ARP) Act of 2021 (P.L. 117-2) — a historic law passed by Congress and signed by President Biden on March 11, 2021 — established the Special Financial Assistance (SFA) Program for financially troubled multiemployer pension plans. The law addresses the solvency of the Multiemployer Program, which was projected to become insolvent in 2026. The SFA Program provides funding assistance to severely underfunded multiemployer pension plans and will ensure that millions of America's workers, retirees, and their families receive the pension benefits they earned through many years of hard work. The SFA payments are derived from appropriated funds and financed by general revenues of the U.S. Department of the Treasury (Treasury).

Upon approval of an SFA application, PBGC will make a payment to an eligible multiemployer plan to enable the plan to pay all benefits through the plan year ending in 2051. SFA also assists plans by providing funds to reinstate previously suspended benefits and repay financial assistance received from PBGC's Multiemployer Program.

The Corporation achieves its mission through three strategic goals:

1. Preserve plans and protect the pensions of covered workers and retirees.
2. Pay pension benefits on time and accurately.
3. Maintain high standards of stewardship and accountability.

OPERATIONS IN BRIEF

Since the enactment of the Employee Retirement Income Security Act of 1974 (ERISA), PBGC has strengthened retirement security by preserving plans and protecting participants and their families. In FY 2022, the Corporation made benefit payments of over $7.0 billion to more than 960,000 participants as highlighted in Table 1: FY 2022 Operations in Brief.

TABLE 1: FY 2022 OPERATIONS IN BRIEF[1]

	2022 Target	2022 Actual	2021 Actual
GOAL 1: Preserve Plans and Protect Pensions			
Single-Employer Plan Participants Protected – Employers Emerging from Bankruptcy During the Year		999	99,345
Single-Employer Plan Standard Termination Audits: Additional Payments		$1.03M paid to 663 participants	$2.6M paid to 1,462 participants
Single-Employer Benefit Payments for Terminated Plans			
• Participants Receiving Benefits		960,000	970,000
• Benefits Paid		Over $7.0B	Over $6.4B
• Participants Expected to Receive Future Benefits		496,000	525,000[2]
Multiemployer Plan Financial Assistance		$226M[3] to 115 plans	$230M to 109 plans
Multiemployer Participants in Insolvent Plans			
• Participants Receiving Benefits		93,525	80,786
• Participants Expected to Receive Future Benefits		46,480	37,172
GOAL 2: Pay Timely and Accurate Benefits			
Estimated Benefits Within 10% of Final Calculation	95%	97%	98%
Average Time to Provide Benefit Determinations (Years)	4.5	4.1	5.9
Improper Payment Rates Within OMB Threshold[4]	<1.5%	Yes	Yes
Applications Processed in 45 Days or Less	87%	85%	76%[5]
GOAL 3: Maintaining High Standards of Stewardship and Accountability			
Retiree Satisfaction – ACSI Score[6]	90	86	88
Participant Caller Satisfaction – ACSI Score	83	76	76
Premium Filer Satisfaction – ACSI Score	74	77	77
Single-Employer – Financial Net Position		$36.6B	$30.9B
Multiemployer – Financial Net Position		$1.1B	$0.5B
Unmodified Financial Statement Audit Opinion	Yes	Yes	Yes

[1] Numbers in this report have been rounded.
[2] This number is a correction from the FY 2021 APR Operations in Brief.
[3] The $226 million includes a $9 million payment on a facilitated merger under the Multiemployer Pension Reform Act of 2014 (MPRA).
[4] The Office of Management and Budget (OMB) threshold for significant improper payment reporting is as follows: amounts that exceed (1) both 1.5% and $10 million in improper payments, or (2) $100 million in improper payments.
[5] This number is a correction from the FY 2021 APR Operations in Brief.
[6] The American Customer Satisfaction Index (ACSI) uses a 0-100 scale; 80 or above is considered excellent.

STRATEGIC GOALS AND RESULTS

PBGC's FY 2022 Annual Performance Report highlights the Corporation's achievements, accomplishments, and performance results through the lens of its strategic goals. The Corporation's priorities are to preserve plans and protect pensioners, to pay timely and accurate benefits, and to maintain high standards of stewardship and accountability.

GOAL NO. 1: PRESERVE PLANS AND PROTECT PENSIONS OF WORKERS AND RETIREES

PBGC engages in activities to preserve plans and protect participants by administering two separate insurance programs. The Multiemployer Program protects about 11.2 million workers and retirees in about 1,360 pension plans. The Single-Employer Program protects about 22.3 million workers and retirees in about 23,800 pension plans.

MULTIEMPLOYER PROGRAM

The Multiemployer Program covers defined benefit pension plans that are maintained through one or more collective bargaining agreements between employers and one or more employee organizations or unions. The employers are usually in the same or related industries, such as transportation, construction, mining, or hospitality. PBGC provides financial assistance to insolvent plans to allow them to pay guaranteed benefits and reasonable administrative expenses. PBGC refers to this financial assistance under the Multiemployer Program as "traditional financial assistance."

In FY 2022, PBGC provided $217 million in traditional financial assistance to 115 multiemployer plans covering 93,525 participants receiving guaranteed benefits and a final payment of $9 million in financial assistance as part of PBGC's first facilitated merger of two multiemployer plans under the Multiemployer Pension Reform Act of 2014 (MPRA). An additional 46,480 participants in the insolvent plans are eligible to receive benefits once they retire. Due to SFA payments made under ARP in FY 2022, the number of participants relying on traditional financial assistance under section 4261 of ERISA has decreased by 20,916 for participants receiving guaranteed benefits and by 10,470 participants eligible to receive benefits once they retire. These participants are included in the FY 2022 counts but will no longer be receiving traditional financial assistance in future years.

The Corporation initiated audits of six insolvent multiemployer plans covering nearly 11,053 participants. The objectives of the audits are to ensure timely and accurate benefit payments to all participants, compliance with laws and regulations, and effective and efficient management of the remaining assets in terminated or insolvent plans.

PBGC regularly provides informal consultations to plan sponsors and practitioners on partition and merger applications, alternative withdrawal liability requests, plan insolvency, SFA applications, and ERISA Title IV compliance issues to assist plans in making their formal requests to PBGC more efficient and effective.

Special Financial Assistance Program

ARP, enacted on March 11, 2021, added section 4262 of ERISA, which created the SFA Program for certain financially troubled multiemployer plans. The amount of SFA to which an eligible plan may be entitled is the amount required to pay all benefits due through the plan year ending in 2051. PBGC is currently accepting SFA applications. The SFA payments are derived from appropriated funds and financed by general revenues of the Treasury. SFA applications approved and paid in FY 2022 reflect the provisions of the interim final rule, published in the Federal Register on July 12, 2021.

On July 8, 2022, PBGC published a final rule implementing changes to the program. The changes, which became effective on August 8, 2022, are responsive to both public comments received on its interim final rule and further review of the statute and will better enable plans to pay benefits through 2051.

The changes under the final rule include the following:

- Allows plans to invest up to 33% of their SFA funds in return-seeking investments (e.g., publicly traded common stock and mutual funds, exchange traded funds, and other permitted investment vehicles that invest predominantly in publicly traded stock); with the remaining 67% restricted to high-quality fixed income investments.
- Modifies the SFA calculation method to use separate interest rates for plans' SFA and non-SFA assets; and aligns the interest rates used to calculate SFA with reasonable expectations of investment returns on plans' SFA assets.
- Provides a different methodology for the calculation of SFA for plans that implemented benefit suspensions under the Multiemployer Pension Reform Act of 2014 (MPRA).
- Modifies the conditions (e.g., withdrawal liability, benefit increases, transfers and mergers, etc.) imposed on plans receiving SFA.

As of September 30, 2022, PBGC had received 72 SFA applications requesting a total of $45.5 billion in SFA. As of September 30, 2022, PBGC had approved 30 applications for $7.6 billion in SFA, all under the interim final rule. Additionally, as of September 30, 2022, 38 applications requesting a total of $37.8 billion were under PBGC review (including 6 applications submitted under the interim final rule, 10 applications submitted under the final rule, and 22 supplemented applications submitted under the final rule by plans that previously received SFA payments under the interim final rule). The 72 SFA applications include 4 plans that had withdrawn and not yet reapplied.

During FY 2022, PBGC paid $7.5 billion in SFA pursuant to applications approved under the interim final rule.

Multiemployer Plan Withdrawal Liability, Plan Mergers and Transfers

PBGC approval is required for a multiemployer plan to adopt an alternative method for allocating unfunded vested benefits in determining withdrawal liability. PBGC began FY 2022 with four pending requests for approval of alternative rules. A fifth request was received in the third quarter. At the end of the fourth quarter, two requests are pending, two have been approved, and one has been rejected.

A multiemployer plan may adopt alternative terms and conditions for satisfaction of withdrawal liability if those terms and conditions are consistent with ERISA and PBGC regulations. Plans sometimes request PBGC's determination that proposed alternative terms are consistent with ERISA and PBGC regulations. PBGC began FY 2022 with three pending requests, of which two were later approved, and one was rejected.

One request, received during FY 2022, remains under review. Special withdrawal liability conditions apply to multiemployer plans that receive SFA.

An employer that withdraws from a construction or entertainment industry plan is generally not subject to withdrawal liability due to a statutory exception for those industries. PBGC may, by regulation, authorize a plan in other industries to adopt a similar rule if PBGC determines it is appropriate to do so and doing so would not pose a significant risk to PBGC. The Corporation began FY 2022 with no pending requests. As of the end of the fourth quarter, one request is pending.

A multiemployer plan merging with or transferring assets and liabilities to another multiemployer plan must provide PBGC with notice. The plan trustees may request a compliance determination from PBGC, which, if granted, provides a safe harbor from certain prohibited transaction provisions of Title I. In FY 2022, PBGC received five notices of merger, four of which were accompanied by a request for a compliance determination. PBGC also received three notices of transfer, two of which were accompanied by a request for a compliance determination. All merger requests and one transfer request have been completed. Two merger requests and two transfer requests remain under review. Special conditions apply to transfers or mergers involving multiemployer plans that receive SFA.

SINGLE-EMPLOYER PROGRAM

The Single-Employer Program covers defined benefit pension plans that generally are sponsored by a single employer. When an underfunded single-employer plan terminates, PBGC steps in to pay participants' benefits up to legal limits. This typically happens when the employer sponsoring an underfunded plan liquidates in bankruptcy, ceases operation, or can no longer afford to keep the plan going. PBGC takes over the plan's assets, administration, and payment of benefits, up to the legal limits. If a plan has enough money to pay all benefits owed to participants and beneficiaries, the plan sponsor can choose to terminate a plan by filing a standard termination. In a standard termination, PBGC does not become responsible for benefit payments.

As part of its risk mitigation activities, PBGC monitors and identifies transactions and events that may pose risks to participants. The Corporation works collaboratively with employers to better safeguard pension benefits.

Standard Terminations

A standard termination is a termination of a single-employer pension plan that has enough money to pay all benefits owed to participants and beneficiaries.

In FY 2022, 1,634 plans, covering approximately 292,500 participants, filed standard terminations with PBGC. The number of terminations received last year is consistent with the average of the five previous years.

Approximately 1,593 plans with an aggregate of more than 150,000 participants completed standard terminations in FY 2022 by paying full plan benefits to participants and beneficiaries in the form of annuities or lump sums. Some of the larger standard terminations were Sony Corporation of America Pension Value Plan; Sonoco Pension Plan for Inactive Participants; Masco Corporation Pension Plan; and Lifestyle Retirement Plan.

PBGC completed 242 standard termination audits in FY 2022 to verify plan administrators' calculation of benefits upon plan termination. These audits discovered errors that have since been corrected by the plan administrators, resulting in more than $1.03 million in additional benefits distributed to 663 participants and beneficiaries in these plans.

Significant Litigation

PBGC protects participants in America's private-sector pensions through litigation in federal and state courts. In FY 2022:

- The U.S. Supreme Court denied the plaintiffs' petition for certiorari in Black v. PBGC. Plaintiffs sought review of the amended opinion of the U.S. Court of Appeals for the Sixth Circuit. The amended opinion was issued in response to a Delphi Salaried Retiree Association (DSRA) request for rehearing after the Sixth Circuit issued a September 2020 ruling in favor of PBGC, holding that the agency's actions were consistent with governing law. The amended opinion once again affirmed the district court ruling for PBGC on all issues, and the Sixth Circuit subsequently denied a DSRA renewed request for rehearing.
- The pension plan of J.C. Penney Corporation, Inc., with over 39,000 participants, is expected to be successfully terminated in a standard termination by the end of calendar year 2022. In November 2020, when no purchaser in the bankruptcy asset sale assumed the pension plan, PBGC initiated steps to become responsible for the plan and prevent possible cuts to participant benefits. The company subsequently entered into an agreement with PBGC under which PBGC would conduct an expedited audit of the company's attempt to effectuate a standard termination. PBGC worked with the company to protect the interests of the pension plan's current and future retirees, and participants ultimately should receive their full benefits under the standard termination, with PBGC assuming no liability for the pension plan.

Plans Saved

When plan sponsors enter bankruptcy proceedings, PBGC encourages continuation of pension plans. Although bankruptcy forces tough choices, it does not mean that pensions must terminate for companies to succeed. In FY 2022, these plans were among those that continued after the bankruptcies of their sponsors or controlled group members, protecting the benefits of participants:

- Intelsat S.A. (more than 750 participants).
- MD Helicopters (over 200 participants).

In addition, in the ongoing bankruptcy for Scouts BSA, the Bankruptcy Court for the District of Delaware has entered an order partially confirming the plan of reorganization that provides for continuation of the pension plan, which has more than 13,800 participants.

Coverage Pilot Program

PBGC first introduced a one-year pilot program in FY 2019 that allowed employers, in limited circumstances, to request an Opinion Letter about whether a plan in the process of being created is likely to be covered under Title IV of ERISA. It is usually easy to determine if a defined benefit plan is covered by PBGC's insurance program. However, for plans that may be a small professional service plan, or a substantial owner's plan, coverage may not be clear. Thus, the coverage program assists plan sponsors in understanding whether such a plan is covered by PBGC. PBGC has received a limited number of requests for Opinion Letters under the pilot program. Since it was launched, PBGC has continued to extend the pilot program every year, and in FY 2022, extended the program through September 30, 2022.

Mediation Program

PBGC's Mediation Program offers mediation to facilitate resolution of fiduciary breach cases, negotiations with ongoing plan sponsors as part of its Early Warning and Risk Mitigation Program, and with former plan sponsors to help resolve their pension liabilities following termination of underfunded pension plans.

PBGC's practice is to resolve Early Warning issues, termination liability claims, and fiduciary breach cases on a consensual basis without the need for litigation. This gives plan administrators, plan sponsors, and fiduciaries of terminated plans the opportunity to resolve these cases with a neutral, professional, and independent mediator in a timely and cost-effective manner. PBGC had one fiduciary breach mediation that took place during the first quarter of FY 2022. The mediation led to settlement of the matter.

GOAL NO. 2: PAY PENSION BENEFITS ON TIME AND ACCURATELY

Through its Single-Employer Program, PBGC is directly responsible for the benefits of more than 1.5 million current and future retirees in trusteed pension plans. Retirees and their families count on PBGC to pay their benefits accurately and on time.

Benefits Administration

PBGC becomes trustee of single-employer plans that end without enough money to pay all their benefit promises. In FY 2022, PBGC took responsibility for 32 single-employer plans that provide pension benefits to nearly 8,000 current and future retirees. When PBGC assumes responsibility for a pension plan, a top priority is to make sure the plan's existing retirees continue to receive benefits without interruption. In FY 2022, more than 56,000 retirees continued to receive benefits without interruption from PBGC.

During FY 2022, the Corporation paid over $7.0 billion in benefits to more than 960,000 retirees in single-employer plans and nearly 41,000 new retirees applied for benefits. For FY 2022, PBGC processed 85 percent of all applications within 45 days, just short of the goal of 87 percent. This was primarily due to staffing shortages early in the year. However, as staffing levels returned to normal, the figure rose to more than 90 percent for each month of the second half of the year. PBGC anticipates this figure to trend well above the 87 percent target for FY 2023.

After PBGC becomes trustee of a terminated pension plan, it begins a complex multi-year process of valuing the plan's assets, reviewing plan and participant data, and calculating benefits payable by PBGC. When participants become eligible and request to start receiving their benefits, PBGC begins paying them an estimated benefit prior to final benefit determinations. When the process is complete, participants are informed of their exact benefit amount via a benefit determination letter. In FY 2022, over 97 percent of final benefit determination amounts issued were within 10 percent of the estimated benefit amount.

The Corporation continued to streamline processes and improve technology to support the benefit determination process. As a result, PBGC reduced its backlog of trusteed plans in an estimated status by 30 percent, when compared to FY 2021, to just over 190 total plans. PBGC also reduced the percentage of unissued benefit determinations greater than five years old to less than one percent.

PBGC has been focused on completing the process of reviewing guaranteed benefit amounts for the oldest plans in its inventory, which is starting to pay off. PBGC decreased the average age of benefit determinations issued from 5.9 years in FY 2021 to 4.1 years in FY 2022, beating its target of 4.5 years.

Reviews and Appeals

When participants and beneficiaries in trusteed single-employer plans do not agree with PBGC's determination of their benefit, they have the right to bring their concerns to PBGC's Appeals Board. Employers and plan sponsors may also appeal certain PBGC determinations. The Appeals Board independently reviews each appeal and provides a detailed written explanation for each decision. In FY 2022, the Corporation started with 76 open appeals, accepted 79 new appeals, and closed 108 appeals, with 47 still open at the end of the year. More information about PBGC's Appeals Board is available on PBGC.gov.

GOAL NO. 3: MAINTAIN HIGH STANDARDS OF STEWARDSHIP AND ACCOUNTABILITY

Accountability: Measuring and Monitoring Performance

PBGC continuously monitors how well it performs and serves customers using a wide range of performance measures. Among them are how quickly and seamlessly the Corporation pays retirees, accurately calculates benefits, and invests assets. PBGC conducts surveys to help improve the coordination and cooperation essential to meeting customer service goals.

Each quarter, PBGC leadership participates in data-driven discussions covering the Corporation's progress in operations, stewardship and accountability, customer satisfaction, and building and maintaining a model workplace. The strategic use of performance data better informs planning and execution of operations, as well as corporate and program area decision-making.

PBGC'S OWN FINANCES MUST BE SOUND

PBGC's operations are financed by insurance premiums set by Congress and paid by sponsors of PBGC-insured defined benefit pension plans and financed by investment income. In addition, the Single-Employer Program is funded by assets from pension plans trusteed by PBGC and recoveries from the companies formerly responsible for the plans. The Corporation pays benefits based on federal law and the provisions of the plans it trustees. ARP added section 4262 of ERISA, which created the SFA Program for certain financially troubled multiemployer plans. The amount of SFA to which an eligible plan may be entitled is the amount required to pay all benefits due through the plan year ending in 2051. The SFA payments are derived from appropriated funds and financed by general revenues of the Treasury.

Financial Position

The financial status of the Single-Employer Program showed improvement and achieved a positive net position of $36.6 billion at the end of FY 2022. The Single-Employer Program's financial status has evolved to a positive net financial position which is projected to grow over the next 10 years.

The net financial position of the Multiemployer Program improved during FY 2022 to a positive net position of $1.1 billion. Estimates from PBGC's FY 2021 Projections Report show that the Multiemployer Program is likely to remain solvent for more than 40 years, primarily due to the enactment of ARP and PBGC's implementation of the final rule for SFA. The SFA program is expected to protect the benefits of millions of participants in financially troubled plans and also reduces the demand on PBGC to provide traditional financial assistance to insolvent plans.

Financial Soundness and Financial Integrity

The Corporation protects the pensions of more than 33 million participants whose plan benefits are valued at more than $3 trillion. PBGC's two insurance programs, one for single-employer plans and one for multiemployer plans, are designed to protect a guaranteed amount of participants' pension benefits when plans fail. The programs differ significantly in the extent to which plan benefits are funded as well as in the structure and level of PBGC's premium rates and guarantees. In addition to collecting premiums, PBGC exercises care in the management of approximately $128 billion in total assets. In FY 2022, PBGC attained its 30th consecutive unmodified audit opinion on its financial statements.

Collecting Premiums

Premium rates are set by statute and generally indexed for inflation. The Bipartisan Budget Act of 2013, MPRA, and the Bipartisan Budget Act of 2015 specify premium rates or premium increases for certain years. In FY 2022, combined premium cash receipts collected totaled $4.765 billion. Single-Employer Program premium cash receipts collected were $4.434 billion. Separately, Multiemployer Program premium cash receipts in FY 2022 were $331 million.

In FY 2022, PBGC continued to enhance the new version of My PAA (PBGC's online premium filing website), by prioritizing practitioner-based feedback with multiple system updates throughout the fiscal year. Specifically, this included redesigning the filing task history page, enabling new filing edits, enabling backward navigation with edits during the filing process and streamlining the "import" filing path to certify an error-free filing directly after uploading. In addition, My PAA has enabled two-factor authentication with Login.gov to satisfy new federal login requirements for public-facing websites and to provide a more secure browsing experience.

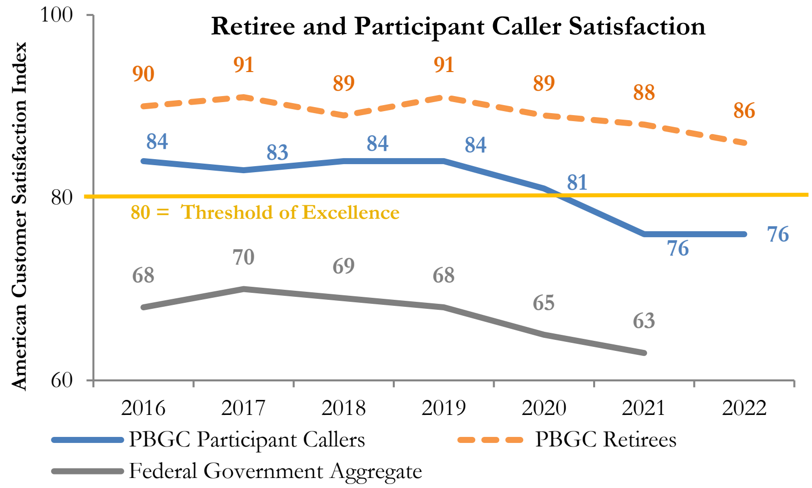
Investing Prudently

PBGC investment assets are administered by investment management firms subject to PBGC's investment policies and oversight procedures. Procedures for internal controls, due diligence, and risk management are subject to periodic review. Regular and detailed communication with management firms enables the Corporation to stay informed on matters affecting its investment program. For more information, refer to Section VII Investment Activities.

OUTREACH AND CUSTOMER SERVICE

Customers are at the core of PBGC's mission. To provide customers with the highest level of customer service, PBGC uses surveys to actively listen, identify opportunities for enhancements, implement process improvements, and monitor satisfaction. Scores are modeled after the American Customer Satisfaction Index (ACSI). PBGC listened to its customer feedback and implemented improvements in FY 2022 to enhance customer service.

Participant and Retirees



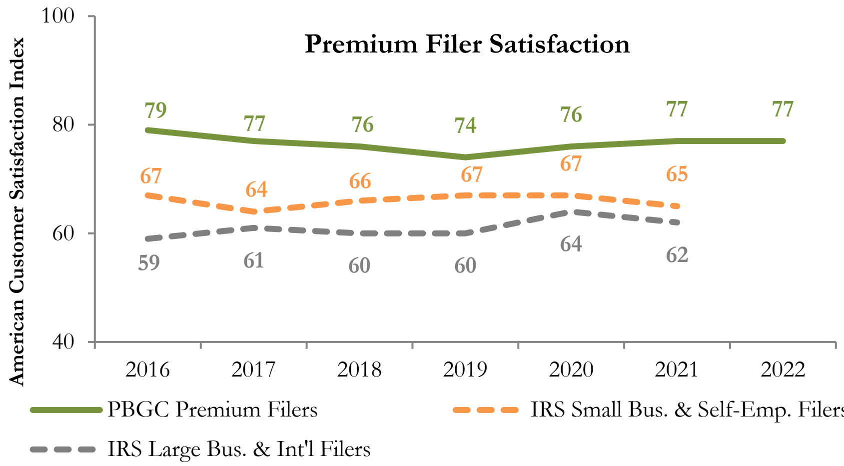
Retirees receiving monthly payments from PBGC gave the Corporation a satisfaction score of 86 out of 100. PBGC's retiree satisfaction score continues to be among the highest in the federal government.

Pension plan participants who called PBGC and responded to a survey, scored their satisfaction at 76 out of 100. In FY 2022, PBGC's Customer Contact Center (CCC) experienced higher than normal call volumes and staffing shortages early in the fiscal year which contributed to very long wait times. However, the CCC is now fully staffed and wait times are routinely under one minute. To assist with long wait times at the CCC during peak periods, PBGC added an email box for customers to submit forms, questions, and documents, as an alternative to waiting on hold.

PBGC increased the security of its online portal (MyPBA) by implementing a multifactor authentication sign-on solution sponsored by Login.gov. MyPBA's FY 2022 customer satisfaction score was 45 out of 100. PBGC is looking to improve this score by taking steps to improve users' experiences. Improvements planned for 2023 include easier navigation and additional assistance for users who cannot authenticate using Login.gov.

Premium Filers

Pension plan sponsors and their practitioners who file premiums with PBGC gave a FY 2022 Annual Premium Filer satisfaction score of 77 out of 100 (same as last year), exceeding the target of 74. This score compared very well to similar functions, such as IRS small-business and self-employed tax filers (65) and large-business and international tax filers (62). Filers gave excellent scores to PBGC's personal service, written communication, and filing process.



My Plan Administration Account (My PAA) is an online application for pension plan practitioners to file premium information and payments with PBGC. The FY 2022 satisfaction score was 72 out of 100 (up one from last year). This score is below the target of 80. During the fiscal year, the ASCI scores rose as practitioners became more familiar with the updated My PAA filing system.

In FY 2022, PBGC continued to implement new system enhancements to My PAA for the practitioner community. These enhancements were made to improve the user experience and to better align My PAA with information technology industry standards and security upgrades.

Engaging With Customers and Stakeholders

PBGC regularly communicates with customers about the Corporation's ongoing activities and news updates. The Corporation uses several communication tools, including PBGC.gov and email notifications to reach its various audiences.

As part of the Corporation's ongoing SFA Program efforts, PBGC continuously published new and updated SFA content on PBGC.gov. In FY 2022, there were more than 66,000 visits to the Corporation's SFA page. PBGC also published more than 30 SFA-related news releases regarding program activities and plan application approvals. The Corporation hosted four SFA webinars, ranging on various topics including the SFA final rule, application process under the final rule, and permissible investments with over 1,100 attendees participating over multiple sessions.

PBGC also responds to numerous inquiries from members of Congress — many writing on behalf of their constituents — and various stakeholders.

SUSTAINING THE PROGRAMS

PBGC serves as a source of information about pension and retirement policy. The Corporation implements strategies to strengthen its programs' financial health and continues to successfully manage risks by actively monitoring and reporting on its insurance programs and other relevant information.

Research and Analysis Activities

The Corporation regularly produces analyses and reports of its programs and policy alternatives to its Board of Directors, policymakers, and external stakeholders, including the public. The Pension Insurance Data Table — a collection of data regarding PBGC and its insurance programs — is published annually. The Data Table includes multiyear data and statistics about the broader private defined benefit pension system.

PBGC's Projections Report is an annual actuarial evaluation of its future operations and financial status. The report provides 10-year projections of the financial status of both insurance programs under a range of future financial scenarios.

Improvements to the Pension Insurance Modeling System and Related Reports

PBGC's primary forecasting model is the Pension Insurance Modeling System (PIMS). The model is periodically evaluated through a congressionally mandated peer review by outside experts, required under the Moving Ahead for Progress in the 21st Century Act (MAP-21). An independent peer review was performed to focus on the development of PBGC's capital market assumptions, the projection of interest rates and other macroeconomic variables, and the modeling of plan asset returns.

The peer reviews provide recommendations to improve the data, assumptions, and modeling methodology used to produce the PIMS projections. PBGC uses these reviews to improve PIMS. The Corporation also uses PIMS to generate results reported in its annual Projections Report and the budget process, to illustrate the effects of proposed changes to pension law, and to provide other technical assistance to policymakers. PBGC has undertaken a multiyear effort to improve the speed and performance of PIMS.

Enterprise Risk Management

During FY 2022, the Corporation continued to maintain its risk management framework and conducted its annual agency-wide risk assessment., in accordance with Office of Management and Budget (OMB) Circular A-123. Keeping in-line with the requirements of the OMB Circular A-136, PBGC assessed entity-specific known and anticipated risks, uncertainties, future events or conditions, and trends that could significantly affect the agency's future financial or operating performance and developed mitigating strategies to address the challenges.

The Corporation's additional top entity-wide risks were associated with recruiting and retaining staff, technology modernization, continuing trend away from defined benefit plans, and associated mitigation approaches put in place to address them. The Risk Management Council is working with program offices to continuously monitor these risks.

The results of the annual risk assessment found that risk was reduced related to the Multiemployer Program insolvency and operational planning uncertainty, but addressing long-term risk requires legislation addressing structural issues in the multiemployer system. Risk associated with succession planning was also reduced.

In addition to conducting its agency-wide risk assessment, the Corporation continued to:

- Integrate Enterprise Risk Management (ERM) principles into key decision-making processes, such as strategic planning, organizational performance, and budgeting.
- Communicate about ERM agency-wide, to foster a risk-management awareness culture.
- Identify emerging risks.

Regulatory and other Guidance Activities

ARP added section 4262 to ERISA to create a program to enhance retirement security by providing funding to severely underfunded multiemployer pension plans. The program will ensure that millions of America's workers, retirees, and their families receive the pension benefits they earned through many years of hard work.

Under section 4262 of ERISA, PBGC was required within 120 days of enactment to prescribe in regulations, or other guidance, the requirements for SFA applications. To implement the program, PBGC released an interim final rule adding a new part 4262 to its regulations, "Special Financial Assistance by PBGC."

PBGC launched the SFA Program under the interim final rule, posted on PBGC's website on July 9, 2021, and published in the Federal Register on July 12, 2021, with a 30-day comment period. PBGC received over 100 comments. A final rule was published on July 8, 2022, and became effective on August 8, 2022. The final rule included a 30-day comment period on the condition requiring a phased-in recognition of SFA assets for purposes of calculating withdrawal liability. PBGC received seven comment letters, which are being reviewed.

Part 4262 provides guidance to multiemployer pension plan sponsors on eligibility, determining the amount of SFA, content of an application for SFA, the process of applying, PBGC's review of applications, and restrictions and conditions on plans that receive SFA. In conjunction with the final rule, PBGC also released updated application instructions and guidance on assumptions used for determining eligibility and the amount of SFA.

PBGC also published a proposed rule on October 14, 2022, that would prescribe actuarial assumptions under section 4213(a)(2) of ERISA which may be used by a multiemployer plan actuary in determining an employer's withdrawal liability. The 30-day comment period closed on November 14, 2022.

In FY 2022, PBGC continued to work on other rulemakings listed on its semiannual regulatory agenda to protect plan participants and minimize burdens on pension plans and plan sponsors, as part of its ongoing retrospective regulatory review. In FY 2022, PBGC published a final rule that updates PBGC's regulation on requesting, obtaining, and examining records to reflect statutory changes to the Freedom of Information Act (FOIA) and current agency practice.

STRENGTHENING A DIVERSE WORKFORCE AND LEADERSHIP

This year, the Partnership for Public Service ranked PBGC number one among the 2021 Best Places to Work for small federal agencies.

PBGC continues to be committed to maintaining a diverse and inclusive workplace that ensures alignment with strategic goals and outcomes. In FY 2022, the Corporation continued to focus on strengthening employee performance, increasing leadership engagement, expanding health and wellness programs, and continuing efforts to recruit and retain disabled veterans.

Federal Employee Viewpoint Survey

The 2022 Federal Employee Viewpoint Survey (FEVS) was administered May 30, 2022, through July 15, 2022. The Corporation's 2022 response rate was 70 percent. This is four percentage points higher than the 2021 participation rate of 66 percent. The results show how PBGC employees rated employee engagement and overall satisfaction. The agency's 2022 Employee Engagement Index score, which measures areas including employee development, was 86 percent. The agency's 2022 Global Satisfaction Index score, which measures employees' satisfaction with their jobs, pay, and organization, was 83 percent.

Recruitment and Outreach

As a result of the ARP, PBGC was required to expeditiously hire several highly skilled employees. The new positions support the establishment and maintenance of the SFA Program, ensuring retirees in financially distressed multiemployer plans continue to receive their defined benefit payments enacted under ARP.

The Corporation continued its commitment to retain a highly skilled workforce and stay competitive with the private sector. PBGC expanded its use of the Recent Graduates Program to broaden its pipeline of entry level employees, which strengthened the Corporation's succession planning efforts. Additionally, PBGC revitalized its recruitment outreach strategies to develop partnerships with colleges and universities.

PBGC continued its focus on increasing its Workplace Flexibilities Program. In the current environment, PBGC has judged this Program (telework, flexible scheduling, and leave programs) and its Student Loan Repayment Program (SLRP) as critical to recruitment and retention in the current competitive job market. In FY 2022, PBGC expanded the SLRP, updated the Telework Policy, and focused on broadening the utilization of all available recruitment and retention incentives.

Diversity, Equity, Inclusion, and Accessibility

In FY 2022, the Corporation published an agency-wide action plan for Advancing Racial Equity and Support for Under Served Communities and submitted the Diversity, Equity, Inclusion, and Accessibility (DEIA) Strategic Plan. PBGC is committed to a diverse and inclusive workplace. The Corporation published a bi-monthly "DEIA Digest," provided a "Humanizing Inclusion" management and leadership development series and offered a plan that included robust DEIA training and learning events. PBGC provided over 35 courses and DEIA events. Additionally, the DEIA Council delivered the "Pension Hidden Figures" Series, highlighting diverse historical contributors in the pension industry.

To attract a diverse applicant pool, PBGC expanded outreach to include community colleges and developed a virtual informational recruitment brochure about PBGC.

The Corporation's Disabled Veterans Affirmative Action Program (DVAAP) and Disability Awareness Series presented "Taking Emotion Out of Emotional Disabilities" and the Veterans Memorial Day "Remembering Those Who Served." Also, the Special Emphasis Program delivered various monthly cultural observances.

Performance Management

PBGC is a performance-based organization. The Corporation's Performance Management Program is focused on more than just the end of year appraisal. PBGC prides itself on translating goals into results, creating an environment that sustains a healthy and effective results-oriented culture. It starts with training and transparency, not just for management but for employees as well. In FY 2022, PBGC created a series of innovative online training modules covering various performance management topics, geared specifically for both supervisory and non-supervisory employees. These modules allowed users to learn at their convenience and pace. Additionally, PBGC provided over 30 performance management interactive training courses. A survey was conducted on PBGC's performance system and many of the suggestions were implemented. Specifically, the e-performance module enhancements to the system were introduced, demonstrating that PBGC listens to staff input.

Management and Leadership Development

In FY 2022, Management & Leadership (M&L) Development Programs offered three management development series:

- Leading Remote and Hybrid Teams to build supervisors' skills and confidence in M&L in a remote/hybrid environment.
- Leadership's Next Evolution: Body Intelligence to expose supervisors to the knowledge and practice of a cutting-edge approach in leadership.
- Humanizing Inclusion to provide knowledge and build cultural competency on diversity, inclusion, respect, identity, and belonging from a leadership perspective.

Due to the value leadership has placed on PBGC's Coaching Program, requests for leadership and executive coaching have increased. PBGC understands the importance of building the leadership bench for the future and continues to support this program.

Equal Employment Opportunity

The Office of Equal Employment Opportunity (OEEO) is responsible for providing leadership in the development, implementation, and evaluation of the Equal Employment Opportunity (EEO) programs and services within PBGC. The office provides technical guidance, advice, and equal opportunity support services to PBGC employees and applicants regarding the federal government's equal opportunity program. OEEO continues to build a model EEO program that reflects the six essential elements as described in the Equal Employment Opportunity Commission's (EEOC) Management Directive 715 (MD-715):

- Demonstrates commitment from agency leadership.
- Integrates EEO into the agency's strategic mission.
- Ensures management and program accountability.
- Works to ensure the program is efficient.
- Is proactive in preventing of unlawful discrimination.

- Ensures responsiveness and legal compliance.

The MD-715 is the policy guidance which the EEOC provides to federal agencies for their use in establishing and maintaining effective programs of equal employment opportunity.

The Affirmative Employment Program (AEP) promotes equal employment opportunity by identifying discriminatory employment policies, practices and procedures that impede equal employment opportunity for all workforce demographics. The AEP team offers events and activities that supports equal employment opportunity including:

- Ongoing barrier analysis.
- PBGC's Education & Enrichment Book Club, which facilitated discussions around equal employment opportunity and diversity in the workplace.
- Equal Employment Opportunity focused trainings regarding harassment prevention in the workplace.
- Education & Enrichment Real Talk series: a safe space to engage in respectful conversations around topics that are important to an organization's workforce, but are usually not addressed in a work environment.
- Education & Enrichment Affinity Chats series: safe, empowering discussions, for each racial and ethnic group identified in the MD-715 data tables.
- Collaborations with affirmative employment committees to identify and support the employment needs of women, Hispanics, and persons with disabilities while addressing any barriers for opportunity for those groups.
- EEO developed and implemented a dashboard to support departmental leadership in their EEO efforts.

The Corporation met its annual requirements to conduct barrier analysis to identify and mitigate barriers to equal employment opportunity and to develop programs that support equal employment opportunities. The Corporation also developed its annual MD-715 Annual EEO Program Status report and presented a high-level overview of information within the document regarding PBGC's EEO program to the Executive Management Committee. The MD-715 report is available on PBGC.gov.

SAFEGUARDING CUSTOMERS' INTERESTS

Participant and Plan Sponsor Advocate

The PBGC Participant and Plan Sponsor Advocate (the Advocate) is selected by PBGC's Board of Directors (the Board) and reports to the Board and Congress. The Office of the Advocate (the Office) acts as a liaison among PBGC, sponsors of insured defined benefit plans, and participants in PBGC-trusteed plans. The duties of the Office include advocating for the full attainment of the rights of participants in trusteed plans, as well as assisting participants and plan sponsors in resolving disputes with the Corporation. The Advocate also identifies areas where participants and plan sponsors have persistent problems in dealing with PBGC and may propose changes in PBGC's administrative practices and recommend legislative changes to mitigate problems.

The Advocate is statutorily required to submit an annual report each December to PBGC's congressional committees of jurisdiction, the Board, and PBGC's Director. The Advocate's annual report, issued on December 31, 2021, detailed the Office's participant and plan sponsor cases and activities, as well as the Advocate's latest initiative to create a pension plan registry to help participants searching for their lost pension plans. While the report described some responsive changes by PBGC to address prior Advocate recommendations, the Advocate again highlighted the need for increased managerial oversight and a critical review of PBGC's processes and procedures to ensure that participant and plan sponsor cases are resolved in a timely and transparent manner, particularly when a matter involves multiple departments within the Corporation.

Strengthening E-Government and Information Technology

The Office of Information Technology (OIT) continues to mature its policies, processes, systems, and operations to ensure that the mission and goals outlined in PBGC's IT Strategic Plan and PBGC's Strategic Plan continues to result in the effective and efficient delivery of IT services. To strengthen PBGC's risk and security posture, OIT's Infrastructure Operations Department (ITIOD) enhanced PBGC's Insider Threat Program and risk management capacity by establishing the Risk Level Management Framework, the Security Discovery Scan, and the Risk Level Assessment Survey. The Risk Level Management Framework's critical processes ensured PBGC staff were properly vetted for their assigned responsibilities. The Framework also required default risk level to be assigned to newly established federal position description (PD) and contractor staff. The Security Discovery Scan bolstered protection of sensitive agency data, participants' personally identifiable information (PII), and other sensitive agency data from inadvertent or purposeful exposure. The Risk Level Assessment Survey ensured individual risk levels were established by employing a streamlined, highly automated solution that addressed significant legacy control deficiencies.

Additional accomplishments include completing and implementing modernization for the Customer Relationship Management (CRM) and My Pension Benefit Access (MyPBA) systems, My Plan Administration Account (My PAA) Multifactor Authentication (MFA), and the budget formulation module of the Budget Department Management System (BDMS). Also, the Benefit Calculation and Valuation (BCV) phase 3 will be completed in December. Details on PBGC modernization efforts are available at [IT Modernization Projects] on PBGC.gov.

Additional OIT accomplishments:

- PBGC's Chief Data Officer, PBGC's Data Governance Board, and the Consumer Financial Protection Bureau's Chief Data Officer engaged interagency cross collaborations which provided opportunities for peer insights and lessons learned. Discussions centered around the Federal Data Strategy, data policy development, and approaches to better enable data-driven decision making while ensuring compliance with regulations, policies, and the Foundations for Evidence Based Policymaking Act (Evidence Act). Outcomes included best practices for aligning data management practices with business strategy, insights to better understand an organization's data enterprise for enhanced business value delivery, and strategies to foster a successful data-driven culture.
- Complied with all Cybersecurity & Infrastructure Security Agency (CISA) Binding Operational Directive (BOD) and Emergency Directive (ED) actions and reporting requirements including BOD 18-02 (Securing High Value Assets), BOD 20-01 (Vulnerability Disclosure Policy), BOD 22-01

(Mitigating Known Exploited Vulnerabilities), ED 22-02 (Mitigate Apache Log4j Vulnerability), ED 22-03 (Mitigate VMWare Vulnerabilities).

- Completed all quarterly and annual Office of Management and Budget (OMB) FY 2021 Annual Federal Information Security Modernization Act (FISMA) Reports. For the first time ever, PBGC obtained an overall Office of the Inspector General (OIG) FISMA rating of "Effective/Managed-Risk" for its information security program.
- Prioritized Executive Order 14028 requirements and complied with all agency reporting actions, including integration status of multi-factor authentication, log management resourcing estimates, and completion of zero-trust implementation plan (M-22-09).
- Developed enterprise cloud risk management framework (RMF) guidance for PBGC's leveraged use of cloud services and systems and sponsorship of cloud services and systems.
- Implemented a centralized risk register for automated view and monitoring of cybersecurity risks throughout the agency.
- Leveraged DHS CISA Cybersecurity Services and implemented digital threat monitoring for visibility into the open, deep, and dark web to anticipate threats. This supply chain risk management capability also looks for mentions of cyber-attacks on PBGC third party suppliers, which may lead to disruptions, breaches, or disclosure of sensitive files.

Ensuring Ethical Practices

In FY 2022, PBGC continued to ensure that nearly all employees received initial ethics training within 90 days of their date of hire and that separating employees had the opportunity to meet with an ethics counselor to discuss the rules on post-employment activities. All public financial-disclosure filers and other designated employees received annual ethics training during the fiscal year. PBGC's ethics team continued its "Ethics in Brief" email notices to all PBGC employees on various topics of interest, including rules for interacting with former PBGC employees and guidance on ethics issues arising out of holiday activities. PBGC also provided live (virtual) Hatch Act training as well as educational material for employees regarding the Hatch Act.

Protecting Privacy Interests

Protecting and preserving the personal information of participants, beneficiaries, employees, and contractors remains one of PBGC's highest priorities. As the primary means of achieving this goal, the Privacy Office in FY 2022 continued its mission of protecting the privacy information of these individuals by embedding privacy protections and promoting transparency. Embedding privacy experts on the various integrated project teams (IPT) allowed PBGC to engineer privacy protections into its systems instead of trying to add them later.

In response to the ever-evolving threat environment, the Privacy Office incorporated a privacy by design framework that is aligned with the recent update to the NIST 800-53 Rev 5, "Assessing Security and Privacy Controls for Information Systems and Organizations." This step brings privacy to the forefront and strengthens the relationship between security and privacy by ensuring the right controls are in place and assessed to meet compliance requirements.

To better assess how the Privacy Office could optimize privacy operations and ensure our customers were receiving the best support, PBGC obtained an Independent Assessment of the Privacy Program. Work is under way to assess the resulting recommendations and prioritize a roadmap for achievable outcomes.

Since all PBGC staff have privacy responsibilities, the Privacy Office ensures that everyone receives training. This training includes onboarding training, annual privacy awareness training, role-based training, and privacy week programs for both contractors and employees. The Privacy Office is also finalizing an Advanced Privacy Training course.

Strengthening Transparency & Disclosure

PBGC continued its commitment to transparency and accountability by ensuring agency-wide compliance with the Freedom of Information Act (FOIA). In FY 2022, the Disclosure Division surpassed last year's high volume of requests received and processed. This year, PBGC received and processed more than 3,800 requests while maintaining a median processing time of twenty working days, well under the statutory time-limit. The Disclosure Division continued a nine-year history of ending the fiscal year with zero backlogged requests or appeals; less than 0.1% of requests were appealed and no initial disclosure determinations were completely overturned. The division conducted 42 virtual training sessions to promote efficiency and accuracy, and robust corporate-wide outreach to achieve compliance with FOIA. The division also participated in two sponsored training events hosted by the Department of Justice.

The Disclosure Division continued to innovate and foster citizen-centered service by maximizing the use of technology and human capital management to maintain agency transparency. PBGC received a perfect score of 100 for all five key areas rated by the Department of Justice's FY 2022 Agency Chief FOIA Officer Assessment Report. The assessed areas consist of: steps taken to apply the presumption of openness, effective system for responding to requests, proactive disclosures, use of technology, and steps taken to improve timeliness in responding to requests and reducing backlog. The Disclosure Division also supported the Corporation's SFA Program transparency efforts by conducting commercial, financial, and PII reviews of all applications prior to posting to PBGC.gov.

INDEPENDENT EVALUATION OF PBGC PROGRAMS

PBGC programs are regularly subject to independent evaluations that help the Corporation remain true to its mission and accountable for services provided to the public. To maintain high standards of stewardship and accountability, PBGC continues to strengthen controls over operations, financial reporting, and compliance with laws and regulations.

Office of Inspector General

PBGC places a strong emphasis on diligently addressing the OIG's audit recommendations. To facilitate timely completion and closure of such recommendations, regular status reports are issued to executive management to assist in monitoring corrective actions. Once work on recommendations is completed, the Corporation provides evidence documenting the corrective actions taken for the OIG review.

PBGC is committed to addressing the OIG recommendations in a timely manner. During FY 2022, PBGC closed 46 audit recommendations. Also, during FY 2022, PBGC received 19 new audit recommendations, resulting in 35 open at the end of FY 2022.

PBGC's OIG oversaw the annual financial statement audit completed by independent public accounting firm, Ernst & Young LLP. In addition, during FY 2022, the OIG performed other audits and evaluations, including the following:

- **Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2021 and 2020 Financial Statements (AUD-20222) issued November 15, 2021.** In this report, the OIG stated this is the 29th consecutive unmodified financial statement audit opinion. PBGC maintained, in all material respects, effective internal control over financial reporting. In the report, the OIG identified the following significant deficiency:
    - Lack of Reevaluation of Policies, Procedures and Controls when Significant Changes to Programs Occur (this was subsequently resolved during FY 2022 Financial Statement Audit).
- **PBCG's Compliance with the DATA Act (AUD-2022-01), issued October 14, 2021.** As required by the Digital Accountability and Transparency Act of 2014 (DATA Act), the OIG assessed the (1) completeness, accuracy, timeliness, and quality of the financial and award data submitted for publication on USASpending.gov; and (2) PBGC's implementation and use of the government-wide financial data standards established by OMB and Treasury. PBGC generally complied with the requirements for completeness, timeliness, quality, and accuracy of the data, and implementation and use of the government-wide financial data standards established by OMB and Treasury.

  Overall, the OIG rated PBGC data results to be of "excellent" quality based on the established standards. However, the OIG observed some inconsistencies, variances, and errors that might have impacted PBGC's reporting of reliable and consistent federal spending data for public use. Some of these errors were attributable to third parties, such as the Federal Procurement Data System-Next Generation (FPDS-NG) and System for Award Management (SAM). In addition, the OIG found that although PBGC timely reported the 59 procurement awards in the sample, it did not consistently report financial assistance awards timely to comply with the 30-day time limit in the Federal Funding Accountability and Transparency Act of 2006. The OIG made one recommendation, which is closed.
- **PBGC Can Improve the Effectiveness of the Missing Participants Program (EVAL-2022-04), issued January 7, 2022.** The OIG concluded that while PBGC has had success locating missing participants, the program could be more effective. The OIG determined that PBGC needs to improve and emphasize the Missing Participants Program (MPP). Currently, the program (1) does not have performance measures, (2) uses unreliable data management practices, and (3) MPP procedures do not reflect the actual business practices used in program administration. Without performance measures, identifying outliers in performance is difficult, and not having sound data management practices has led to a lack of quantitative data available for program evaluation. Further, the lack of MPP procedures reflecting actual business practices may lead to ineffective implementation of the program and hinder continuity of operations. The OIG made five recommendations to the Corporation and corrective actions are ongoing.
- **Survey of PBGC Contracting Officers' Representatives (SR-2022-05), issued January 10, 2022.** The OIG conducted a survey of PBGC Contracting Officer' Representatives (CORs) to obtain their views of PBGC contract administration and related areas. The survey had positive results overall; however, respondents identified some areas for improvement. The majority of CORs responding to the survey had six or more years of experience and were mid- to senior-level employees. Most respondents

agreed with statements regarding having enough time for COR duties, receiving adequate training, and other areas. Respondents also indicated they were knowledgeable about various areas related to their COR duties, such as reviewing contractors' invoices. One potential area for improvement is the timeliness of the source selection process. In addition, turnover among Contracting Officers was the most common response to an open-ended question regarding challenges facing CORs.

- **Evaluation of PBGC's Purchase Card Program (EVAL-2022-10), issued April 4, 2022.** The OIG found that while PBGC internal controls for administering PBGC's Purchase Card Program are adequate to prevent fraud, waste, and abuse, there are several areas where internal controls over the program can be strengthened. First, the OIG found instances in which 25 cardholders, in contravention of OMB Circular A-123, Appendix B and PBGC's Purchase Card Manual, paid $8,601 in state and local sales taxes to vendors. Second, the OIG found that, in contravention of regulations, laws and policies, documents were missing or incomplete. Specifically, the OIG identified nine trained and authorized cardholders, who made transactions in FY 2019, but whose names did not appear on the Agency Program Coordinator's (APC) list of active and closed/inactive accounts. They also identified five cardholders who did not have a request for appointment document, which PBGC's manual requires the APC to maintain; one Approving Official who did not have a training certificate on file; one cardholder who did not have a Delegation of Authority letter; and one Delegation of Authority letter that was not signed and dated. The OIG made three recommendations to the Corporation. Changes to address two of the recommendations have been submitted to the OIG for review and the corrective actions are ongoing for the remaining recommendation.
- **Evaluation of PBGC's Fiscal Year 2021 Compliance with the Payment Integrity Information Act of 2019 (EVAL-2022-1111), issued May 12, 2022.** As required by the Payment Integrity Information Act of 2019 (PIIA), the OIG reviewed PBGC's compliance with improper payment reporting requirements. For FY 2021, the OIG reviewed the Improper Payment Reporting section of PBGC's FY 2021 Annual Report, and interviewed PBGC staff to gain an understanding of the procedures, oversight, and internal controls in place for the FY 2021 Annual Report Payment Integrity section and any accompanying materials related to preparing the required risk assessments, preventing, and detecting improper payments, and recapturing improper payments. It was determined that PBGC was compliant with the PIIA risk assessment and reporting requirements. The OIG identified one recommendation that would improve payment integrity risk assessment of the agency and corrective actions are ongoing.

For more information about the OIG's work in promoting accountability in PBGC operations, visit OIG.PBGC.gov.

Government Accountability Office (GAO)

GAO's high-risk report dated March 2021 continued to include PBGC's Single-Employer and Multiemployer Programs as one of 36 government programs most at risk due to vulnerabilities. The report underscores the risk of PBGC's Multiemployer Program being exhausted within six years because of projected pension plans' insolvencies. After its 2021 High Risk Programs Report in March 2022, GAO published a High-Risk Series report "Key Practices to Successfully Address High-Risk Areas and Remove Them from the List." In that report, GAO recognized enactment of ARP mitigated certain financial risks facing PBGC. Specifically, it is projected to extend the solvency of PBGC's Multiemployer Program. GAO noted, even with the special financial assistance, PBGC's insurance programs continue to face the potential for large claims that could put stress on the programs' long-term financial condition and that Congress could take further actions to improve the long-term stability of both insurance programs.

PBGC also monitors progress in addressing GAO recommendations. As of September 30, 2022, PBGC had no open GAO recommendations. For more information about GAO's work on pensions and retirement security issues, visit GAO.gov.

FINANCES

FISCAL YEAR 2022 FINANCIAL STATEMENT HIGHLIGHTS

The Pension Benefit Guaranty Corporation (PBGC or the Corporation or the agency) is a federal corporation established under the Employee Retirement Income Security Act (ERISA) of 1974, as amended. It guarantees payment of basic pension benefits earned by over 33 million of America's workers and retirees participating in more than 25,000 private-sector defined benefit pension plans. In accordance with the American Rescue Plan (ARP) Act of 2021, the Corporation received appropriations from the U.S. Treasury General Fund to assist in remedying the Multiemployer Program's deficit. The Multiemployer Program's deficit would have remained significant through FY 2022 if not for the favorable impact of the ARP which resulted in the program achieving a surplus in both FY 2021 and FY 2022. PBGC receives no funds from general tax revenues for its Single-Employer Program or the traditional multiemployer financial assistance program. Operations are financed by insurance premiums set by statute and paid by sponsors of defined benefit plans, investment income, assets from pension plans trusteed by PBGC, and recoveries from the companies formerly responsible for the plans.

FINANCIAL POSITION

PBGC's Memorandum Total Financial Position

The ARP established a new multiemployer Special Financial Assistance (SFA) Program, resulting in a new source of financing outside of PBGC's revolving fund. PBGC receives appropriated SFA funds to disburse to multiemployer plans that meet certain criteria. Unlike traditional financial assistance wherein PBGC provides assistance to multiemployer plans in the form of a loan, the new special financial assistance is provided via a transfer (pass-through of funds) with no obligation of repayment. At the end of each fiscal year, any unused appropriated SFA funds must be returned to the U.S. Treasury General Fund. In FY 2021, 64 insolvent and probable multiemployer plans were removed from PBGC's present value of nonrecoverable future financial assistance liability as a result of the new SFA Program. The total liability of these 64 plans was $60,159 million, which significantly reduced PBGC's total liabilities and helped eliminate PBGC's Multiemployer Program deficit (for further detail of the SFA Program, see section IV.B of the Management's Discussion and Analysis). In FY 2022, there were no additional insolvent and probable multiemployer plans that were removed from PBGC's present value of nonrecoverable future financial assistance liability as a result of the new SFA Program.

PBGC revised the presentation format of its financial statements in FY 2021 because it began to receive appropriations from the U.S. Treasury General Fund for the first time. This included new financial line items (see Note 2) for financial statement purposes and renaming the "Statements of Operations and Changes to Net Position" to "Statements of Operations". Additionally, within the "Statements of Operations", Net position was removed from this statement and Cumulative results of operations was added. In addition, Net position remained on the "Statements of Financial Position", along with the newly added Cumulative results of operations financial line item. Cumulative results of operations represent PBGC's financial position that excludes the unused appropriations from the U.S. Treasury General Fund for special financial assistance. Net position on the "Statements of Financial Position" consists of Contributed transfer appropriation (equity account representing unused SFA appropriations), as well as the Cumulative results of operations.

PBGC's Memorandum Total cumulative results of operations increased by $6,214 million, resulting in the Corporation's Memorandum Total cumulative results of operations of $37,629 million as of September 30, 2022, from a balance of $31,415 million as of September 30, 2021. PBGC includes Memorandum Totals for its two independent insurance programs solely for an entity-wide informational view of its financial statements. Most importantly, under Section 4005(g) of ERISA, the Single-Employer and Multiemployer Programs are separate by law; and, therefore, PBGC is required to report the financial results of operations separately. Separate results from operations from the Single-Employer Program and the Multiemployer Program contributed to the elimination in the Memorandum Total deficit. The increase in the Memorandum Total cumulative results of operations is due to $24,469 million in credits due to change in interest factors, $7,566 million in contributed transfer appropriation income, $4,956 million in premium and other income, $1,352 million in actuarial credits, and $72 million in multiemployer credits from insolvent and probable plans, offset by $23,280 million in investment losses, $7,555 million in special financial assistance expense, $503 million in administrative, administrative SFA, and other expenses, $492 million in charges due to expected interest, $249 million in losses from completed and probable terminations, and $122 million in investment expenses. Memorandum Total actuarial credits totaled $25,329 million. PBGC uses a curve of interest factors to determine the actuarial present value of estimated future benefit payments (see Note 6). The curve of spot rates for September 30, 2022, starts with an interest factor of 5.12% in year 1 and changes as the future period for discounting gets longer until year 30 when the factor becomes 4.76% and is assumed to remain level thereafter. The overall FY 2022 impact from the increase in interest factors resulted in $24,737 million in credits that consists of $24,061 million in credits for terminated single-employer plans, $408 million in credits for insolvent multiemployer plans, and $268 million in credits for probable multiemployer plans.

Multiemployer Financial Position

- The Multiemployer Program's cumulative results of operations improved by $577 million, resulting in a positive cumulative results of operations of $1,055 million as of September 30, 2022. The primary factors of the Multiemployer Program's FY 2022 net income of $577 million included $7,566 million in contributed transfer appropriation income, $408 million in credits due to change in interest factors (which resulted from increases in market interest rates), $349 million in net premium and other income, $72 million credit from insolvent and probable plans-financial assistance, and $15 million in credits from actuarial adjustments. These favorable factors for the Multiemployer Program were offset by $7,555 million in special financial assistance expense, $248 million in fixed investment losses, $11 million in administrative SFA expenses, $10 million in charges due to expected interest, and $9 million in administrative expenses. The Multiemployer Program would still be in a deficit position had it not been for the ARP enacted in FY 2021.
- Credits from insolvent and probable plans-financial assistance for the Multiemployer Program was $72 million at September 30, 2022. The primary drivers of these credits are:
    - $268 million credit due to change in interest factors which resulted from increases in market interest rates; and
    - $79 million decrease in the multiemployer small plan bulk reserve; and
    - $42 million in credits from change due to expected rates of return; offset by
    - $151 million charge from change due to actual investment rates of return; and
    - $103 million charge from the addition of two new multiemployer probable plans; and
    - $63 million net charges from other recurring actuarial adjustments.

- In FY 2022, there were no plans deleted from the multiemployer inventory. Two new probable plans with net claims of $103 million were added to the multiemployer inventory.

Multiemployer Probable Insolvent Activity

- The $633 million decrease in probable insolvent plan liability from $1,472 million at September 30, 2021 to $839 million at September 30, 2022, was primarily due to nine plans with net claims of $552 million that were transferred from the probable insolvent category to plans receiving financial assistance, $268 million in credits due to the change in interest factors (which resulted from increases in market interest rates), $79 million decrease in the small plan bulk reserve, and $42 million credit from change due to expected rates of return (investment returns expected on assets of multiemployer probable plans), offset by $151 million increase from change due to the use of actual investment rates of return on probable plan assets, $103 million from the addition of two new probable insolvent plans, and a $25 million charge due to a data change.

Multiemployer Insolvent Activity

- The $6 million increase in insolvent plan liability (i.e., plans currently receiving financial assistance) from $1,545 million at September 30, 2021 to $1,551 million at September 30, 2022, was primarily due to nine plans with net claims of $552 million that were transferred from the probable insolvent category to plans receiving financial assistance, offset by $407 million in credits due to the change in interest factors (which resulted from increases in market interest rates) and $147 million credit from financial assistance provided. PBGC paid $226 million in traditional financial assistance consisting of $217 million in financial assistance to 115 insolvent plans and a final payment of $9 million in financial assistance as part of PBGC's first facilitated merger of two multiemployer plans under Multiemployer Pension Reform Act of 2014 (MPRA).

Single-Employer Financial Position

- The Single-Employer Program's FY 2022 cumulative results of operations improved by $5,637 million, resulting in a positive cumulative results of operations of $36,574 million as of September 30, 2022. The primary factors of the Single-Employer Program's FY 2022 net income of $5,637 million included $24,061 million in credits due to change in interest factors (which resulted from increases in market interest rates), $4,607 million in net premium and other income, and $1,337 million in credits from actuarial adjustments. These favorable factors for the Single-Employer Program were offset by $23,032 million in investment losses, $483 million in administrative and other expenses, $482 million in charges due to expected interest related to PBGC's liabilities of $108,645 million as of September 30, 2021, $249 million in losses from completed and probable terminations, and $122 million in investment expenses.

INVESTMENTS

Single-Employer Investment Activity

- **Global Public Stock –** Global equities posted declines for the three consecutive quarters to finish out FY 2022 and ended the fiscal year with negative returns. Emerging markets was the worst performing region driven by China, followed by developed equities and U.S. equities. All regions ended the FY 2022 with negative returns.

For FY 2022, global equity market returns generated a loss of $3,655 million from equity investments compared to a gain of $6,829 million for FY 2021 (-21.11 percent return for Total Global Public Stock in FY 2022 versus 30.25 percent in FY 2021).

- **Global Bonds** – Global bonds posted negative returns amid concerns about inflation, economic growth, and the expectation of higher interest rates. The Treasury yield curve shifted up and steepened in FY 2022, with yields at the shorter end of the curve increasing more than yields at the longer end. Investment-grade bonds also had negative returns but managed to outpace equities. Government/Treasury bonds outperformed corporate bonds as spreads widened, and long-duration bonds underperformed shorter-duration bonds. High-yield bonds and emerging market debt both posted negative returns.

  For FY 2022, global fixed income generated a loss of $19,305 million from fixed income investments compared to a loss of $3,890 million for FY 2021. This reflects lower fixed income returns (-16.62 percent return for Total Global Bonds in FY 2022 versus -4.05 percent in FY 2021).

- **Real Estate Investment Trusts (REITS)** – Similar to the global equity market, REITs also delivered poor returns during FY 2022 as borrowing costs have increased significantly. REITs ended the year with negative returns, but outpaced domestic, developed, and emerging markets equity.

  For FY 2022, REITS generated a loss of $229 million from real estate investments compared to a gain of $873 million for FY 2021 (-17.08 percent return for US REITs in FY 2022 versus 39.31 percent in FY 2021).

- **Combined Single-Employer Investment Return** – FY 2022 investment returns contributed to a total PBGC combined investment loss of $23,032 million. PBGC's Total Fund Composite (excluding transition accounts) earned -16.68 percent in FY 2022, exceeding the Total Fund Benchmark return of -16.89 percent.

Multiemployer Investment Activity

- **U.S. Treasury Bonds** – U.S. Treasury bonds posted negative returns during FY 2022. Both long and intermediate Treasuries posted negative returns with the long Treasuries significantly underperforming intermediate Treasuries.

  For FY 2022, multiemployer fixed income generated a loss of $248 million from fixed income investments compared to a loss of $47 million for FY 2021. This reflects lower fixed income returns (-9.20 percent return for multiemployer revolving fund in FY 2022 versus -1.71 percent in FY 2021).

OPERATIONS

- PBGC's combined (i.e., the Memorandum Total which is comprised of both the Single-Employer and Multiemployer Program activity) single-employer benefit payments and multiemployer financial assistance paid were $14,794 million in FY 2022 and $6,670 million in FY 2021. The significant increase was primarily due to $7,526 million in special financial assistance paid to 29 approved plans in FY 2022. There was no special financial assistance paid in FY 2021. PBGC assumed responsibility for the benefit payments of an additional 7,953 workers and retirees in the 32 single-employer plans that were trusteed during FY 2022.

- FY 2022 combined (Memorandum Total) net premium income increased by $83 million to $4,925 million compared to FY 2021 net premium income of $4,842 million. The primary components of the combined net premium income were variable rate premium (VRP) income of $2,762 million and flat rate premium income of $2,163 million. Overall, this represented a 2 percent year-over-year increase in combined premium income and is primarily due to a) higher premium rates for both the flat and variable rate premiums and b) improved conditions of the plans' underfunding (i.e., lower Unfunded Vested Benefits), which was offset by the impact of amended filings pursuant to PBGC Technical Update 20-2 per the CARES Act, to revise the originally reported FY 2021 asset value resulting in lower variable rate premiums specifically for that fiscal year (see Note.11).

- During FY 2022, PBGC assumed financial responsibility for 32 underfunded single-employer plans that were terminated. Some of these plans are pending the completion of a trusteeship agreement with PBGC as of year-end. One of these 32 terminated plans was previously classified as a probable termination by PBGC. These 32 terminated plans had an average funded ratio of about 48 percent, and these terminations resulted in an aggregate net loss to PBGC of $282 million (see Note 12).

- As of September 30, 2022, there was one single-employer plan (net claim of $3 million) classified as a probable termination. Probable terminations represent PBGC's best estimate of claims for plans that are classified as likely to terminate in a future year.

- As of September 30, 2022, the present value of multiemployer nonrecoverable future financial assistance of $2,390 million consists of 86 insolvent plans ($1,551 million), and 48 terminated plans not yet insolvent but probable ($662 million), and two ongoing plans that are projected to exhaust plan assets within 10 years and are classified as probable including a small plan bulk reserve ($177 million).

ESTIMATES OF REASONABLY POSSIBLE CONTINGENCIES

- At fiscal year-end, PBGC's estimate of its single-employer reasonably possible exposure decreased to $52,032 million in FY 2022, a $53,349 million decrease compared to $105,381 million in FY 2021. This decrease is primarily due to positive investment results on plan assets during calendar 2021 and the significant increase in the interest factors used for valuing liabilities as of the measurement date (see Note 9 for discount factors utilized in calculating the reasonably possible estimate).

- PBGC's estimate of its multiemployer reasonably possible exposure increased to $2,218 million in FY 2022, an $1,889 million increase from the $329 million in FY 2021. The primary reason for the increase in exposure was due to the net effect of adding eleven plans that were newly classified as reasonably possible ($1,678 million increase) while only two plans that were no longer classified as reasonably possible were removed ($87 million decrease). Another driver of the increase was $423 million increase in the reasonably possible aggregate reserve for small plans in FY 2022 due to an increase in small plans from 23 to 55 projected to become insolvent within 20 years primarily due to plan asset losses.

KEY SINGLE-EMPLOYER AND MULTIEMPLOYER RESULTS

(Dollars in millions)		**FY 2022**		FY 2021
Insurance Activity				
SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS MEMORANDUM TOTAL				
Single-Employer Benefits Paid	**$**	**7,042**	$	6,440
Multiemployer Financial Assistance Paid – SFA	**$**	**7,526**	$	0
Multiemployer Financial Assistance Paid – Traditional	**$**	**226**	$	230
Retirees Receiving Benefits (at end of year)		**1,056,626**		1,020,494
Total Participants Receiving or Owed Benefits (at end of year)		**1,552,000**		1,574,000
New Underfunded Terminations		**32**		42
Terminated/Trusteed Plans (combined to date)		**5,110**		5,078
Plans That Have Received Financial Assistance		**86**		77
Summary of Operations				
SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS MEMORANDUM TOTAL				
Premium Income, Net	**$**	**4,925**	$	4,842
Losses (credits) From Completed and Probable Terminations	**$**	**249**	$	1,022
Losses (credits) From Financial Assistance	**$**	**(72)**	$	(63,736)
Investment Income (Loss)	**$**	**(23,280)**	$	4,011
Actuarial Charges and Adjustments (Credits)	**$**	**(25,329)**	$	(8,638)
Financial Position				
SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS MEMORANDUM TOTAL				
Total Assets	**$**	**127,887**	$	154,204
Total Liabilities	**$**	**90,252**	$	122,786
Net Income (Loss)	**$**	**6,214**	$	79,686
Cumulative Results of Operations	**$**	**37,629**	$	31,415
SINGLE-EMPLOYER PROGRAM				
Total Assets	**$**	**124,394**	$	150,692
Total Liabilities	**$**	**87,820**	$	119,755
Net Income (Loss)	**$**	**5,637**	$	15,459
Cumulative Results of Operations	**$**	**36,574**	$	30,937
MULTIEMPLOYER PROGRAM				
Total Assets	**$**	**3,493**	$	3,512
Total Liabilities	**$**	**2,432**	$	3,031
Net Income (Loss)	**$**	**577**	$	64,227
Cumulative Results of Operations	**$**	**1,055**	$	478

The Single-Employer Program and Multiemployer Program are separate by law.

The "Single-Employer and Multiemployer Programs Memorandum Total" data totals presented above are solely an entity-wide informational view of PBGC's two independent insurance programs.

FINANCIAL SUMMARY – SINGLE-EMPLOYER PROGRAM

(Dollars in millions)		Fiscal Year Ended September 30, 2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Insurance Activity:											
Benefits paid	$	**7,042**	6,440	6,125	6,020	5,792	5,699	5,659	5,570	5,522	5,449
Participants receiving monthly benefits at end of year[1]		**963,097**	967,506	984,474	887,138	861,371	839,772	838,493	825,666	812,608	799,210
Plans trusteed and pending trusteeship by PBGC[2]		**5,100**	5,068	5,031	4,965	4,919	4,845	4,769	4,706	4,640	4,557
Summary of Operations:											
Premium income, net	$	**4,586**	4,511	5,663	6,352	5,518	6,739	6,379	4,138	3,812	2,943
Other income	$	**21**	20	28	47	38	184	25	11	22	38
Investment income (loss)	$	**(23,032)**	4,058	12,470	14,820	1,502	5,363	8,648	324	6,439	2,741
Actuarial charges and adjustments (credits)	$	**(24,916)**	(8,460)	8,875	14,409	(6,468)	(950)	11,515	9,504	1,864	3,054
Losses (credits) from completed and probable termination	$	**249**	1,022	1,926	91	(322)	3,063	(417)	(780)	(115)	468
Administrative and investment expenses	$	**585**	559	538	488	489	481	465	446	464	434
Other expenses	$	**20**	9	16	14	6	26	4	30	17	5
Net income (loss)	$	**5,637**	15,459	6,822	6,217	13,353	9,666	3,485	(4,727)	8,043	1,761
Summary of Financial Position:											
Cash and investments[3]	$	**114,223**	138,854	134,244	118,119	101,310	96,830	89,596	80,090	81,215	77,881
Total assets	$	**124,394**	150,692	143,472	128,068	109,941	106,196	97,342	85,735	88,013	83,227
Present value of future benefits	$	**78,332**	108,929	120,430	113,100	101,866	111,280	113,704	106,926	102,774	105,018
Cumulative Results of Operations	$	**36,574**	30,937	15,478	8,656	2,439	(10,914)	(20,580)	(24,065)	(19,338)	(27,381)

[1] This measure may differ from yearly performance numbers reported in PBGC's Annual Performance Report, which also include participants whose benefit payments ended during the year (for example, due to death or a final lump-sum payout).
[2] These cumulative measures may differ due to plans that terminated in a prior year may have been removed from inventory in a subsequent year.
[3] Cash and investments consists of Cash and cash equivalents, Total investments, and Receivables, net: Investment income.

As a general note, a dash "-" indicates no net activity to be reported.

FINANCIAL SUMMARY – MULTIEMPLOYER PROGRAM

		Fiscal Year Ended September 30,									
(Dollars in millions)		**2022**	2021	2020	2019	2018	2017	2016	2015	2014	2013
Insurance Activity:											
Financial assistance paid - SFA	**$**	**7,526**	-	-	-	-	-	-	-	-	-
Plans that have received - SFA		**29**	-	-	-	-	-	-	-	-	-
Financial assistance paid - traditional	**$**	**226[1]**	230	173	160	153	141	113	103	97	89
Plans that have received FA - traditional		**115[2]**	109	91	85	78	72	65	57	53	44
Summary of Operations:											
Premium income, net	**$**	**339**	331	322	310	292	291	282	212	122	110
Contributed transfer appropriation income	**$**	**7,566**	1	-	-	-	-	-	-	-	-
Other income	**$**	**10**	37	-	-	-	-	-	-	-	-
Investment income (loss)	**$**	**(248)**	(47)	180	442	(52)	(53)	143	68	75	(96)
Actuarial charges and adjustments (credits)	**$**	**(413)**	(178)	180	340	(147)	(23)	167	135	95	41
Losses (credits) from insolvent and probable plans - financial assistance	**$**	**(72)**	(63,736)	(1,137)	(11,662)	(10,830)	6,438	6,768	9,963	34,260	2,969
Special financial assistance expense	**$**	**7,555**	-	-	-	-	-	-	-	-	-
Administrative and investment expense	**$**	**9**	8	42	40	41	42	39	32	18	25
Administrative special financial assistance expense	**$**	**11**	1	-	-	-	-	-	-	-	-
Net income (loss)	**$**	**577**	64,227	1,417	(11,290)	11,176	(6,219)	(6,549)	(9,850)	(34,176)	(3,021)
Summary of Financial Position:											
Cash and investments[3]	**$**	**3,058**	2,978	2,951	2,676	2,137	2,080	2,037	1,768	1,701	1,715
Restricted cash	**$**	**36**	3	-	-	-	-	-	-	-	-
Total assets	**$**	**3,493**	3,512	3,144	2,858	2,311	2,262	2,204	1,924	1,769	1,719
Present value of future benefits	**$**	**-**	-	-	-	-	-	-	-	-	-
Nonrecoverable future financial assistance, present value	**$**	**2,390**	3,017	66,865	67,995	56,153	67,283	61,009	54,186	44,190	9,931
Cumulative Results of Operations	**$**	**1,055**	478	(63,749)	(65,166)	(53,876)	(65,052)	(58,833)	(52,284)	(42,434)	(8,258)

[1] This amount consists of $217 million in traditional financial assistance paid to 115 insolvent plans and $9 million to PBGC's first facilitated merger under MPRA (see Note 7). In FY 2021, this amount consisted of $221 million in traditional financial assistance paid to 109 insolvent plans and $9 million to PBGC's first facilitated merger under MPRA.

[2] 115 plans received traditional financial assistance in FY 2022, 86 are expected to continue to receive traditional financial assistance. In FY 2021, 111 plans received traditional financial assistance (this includes two plans that received an annuity), and as of September 30, 2021, there were 77 plans expected to continue to receive traditional financial assistance.

[3] Cash and investments consists of Cash and cash equivalents, Total investments, and Receivables, net: Investment income. As a general note, a dash "-" indicates no net activity to be reported.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

I. INTRODUCTION

PBGC management believes its discussion and analysis of its financial statements and other statistical data will help all interested parties and readers better understand PBGC's financial condition and results of operations. Readers should consider this material in conjunction with the Annual Performance Report starting on page 1, the financial statements beginning on page 63, and the accompanying notes beginning on page 67.

II. FINANCIAL AND PROGRAM RISKS

As of September 30, 2022, the Single-Employer and Multiemployer Programs reported cumulative results of operations of $36,574 million and $1,055 million, respectively. The Single-Employer Program's cumulative results of operations improved by $5,637 million, resulting in cumulative results of operations of $36,574 million. The Multiemployer Program's cumulative results of operations improved by $577 million, resulting in a positive cumulative results of operations of $1,055 million. The Corporation has $124,394 million in single-employer assets and $3,493 million in multiemployer assets and will be able to meet its obligations for a number of years. Most importantly, under Section 4005(g) of ERISA, the Single-Employer and Multiemployer Programs are separate by law and, therefore one program's resources cannot be used to fund the activities of the other. It is important to note that the Special Financial Assistance Program created by the ARP is expected to enable PBGC to satisfy long-term multiemployer obligations by providing SFA to currently insolvent and probable plans. The result of which is a significant reduction in PBGC's liability for the total present value of nonrecoverable future financial assistance. (For more information, please refer to Section V. Overall Capital and Liquidity and Section VI. Single-Employer and Multiemployer Exposure).

In FY 2022, significant factors beyond PBGC's control, including the performance of financial markets, changes in interest rates, and the solvency of insured pension plans, continued to influence PBGC's underwriting income and investment gains or losses.

PBGC's operating results can change markedly from year to year depending on the severity of losses from plan terminations, investment performance, changes in the interest factors used to discount future benefit payments, general economic conditions, changes in law, and other factors. PBGC's operating results may vary more than those of most private insurers, in part because PBGC must insure against catastrophic risk without all the tools private insurers use to address risk. Most private insurers can diversify or reinsure their catastrophic risks or apply traditional insurance underwriting methods to mitigate these risks. Unlike private insurers, the Corporation cannot decline insurance coverage or provide a lower level of coverage, regardless of the potential risk posed by an insured plan. Private insurers can also adjust premiums in response to risk, while PBGC cannot. PBGC's premiums are set by statute.

Claims against PBGC's insurance programs vary greatly from year to year. The termination or insolvency of a single large pension plan may result in a larger claim against the Corporation than the termination or insolvency of many smaller plans. Thus, future claims will continue to depend largely on the failures of large plans. Additionally, PBGC's risks are concentrated in certain industries. Finally, PBGC's financial condition is sensitive to market risk. Interest rates and equity returns affect not only PBGC's own assets and liabilities but also those of PBGC-insured plans.

III. LEGISLATIVE AND REGULATORY DEVELOPMENTS

LEGISLATIVE DEVELOPMENTS

The Infrastructure Investment and Jobs Act (PL 117-58), enacted on November 15, 2021, modifies the interest rate stabilization rules that most single-employer plans use to determine minimum funding requirements.[1] The change delays the timeframe for widening the interest rate stabilization corridor.

REGULATORY AND RELATED ACTIVITIES

The American Rescue Plan (ARP) Act of 2021, enacted on March 11, 2021, added a new section 4262 of ERISA to create a program to enhance retirement security by providing special financial assistance (SFA) to severely underfunded multiemployer plans. The SFA Program will ensure that millions of America's workers, retirees, and their families receive the pension benefits they earned, including the provision of funds to reinstate suspended monthly benefits going forward, and for make-up payments to restore previously suspended benefits of participants and beneficiaries. In turn, the SFA Program improves the financial condition of PBGC's Multiemployer Insurance Program.

Under new section 4262 of ERISA, PBGC was required within 120 days to prescribe in regulations or other guidance the requirements for SFA applications. To implement the program, on July 9, 2021, PBGC released an interim final rule adding a new part 4262 to its regulations, "Special Financial Assistance by PBGC." The interim final rule was published in the Federal Register on July 12, 2021, with a 30-day comment period ending on August 11, 2021. PBGC received over 100 comments. A final rule was published on July 8, 2022, and became effective on August 8, 2022. The final rule included a 30-day comment period on the condition requiring a phased recognition of SFA assets for purposes of calculating withdrawal liability. PBGC received seven comments, six of which discussed the withdrawal liability condition that are being reviewed.

Part 4262 provides guidance to multiemployer pension plan sponsors on eligibility, determining the amount of SFA, content of an application for SFA, the process of applying, PBGC's review of applications, and restrictions and conditions on plans that receive SFA. In conjunction with the final rule, PBGC also released updated instructions and guidance on assumptions used for determining eligibility and the amount of SFA.

PBGC also continues to update its existing regulations, including to protect plan participants and minimize burdens on pension plans and plan sponsors, as part of its ongoing regulatory review. In FY 2022, PBGC published:

- A final rule that updates PBGC's regulation on requesting, obtaining, and examining records to incorporate statutory changes to the Freedom of Information Act (FOIA) and current agency practice; and

[1] Section 80206 of the Infrastructure Investment and Jobs Act (PL 117-58).

- A final rule to amend its regulations that reference PBGC's former street address to incorporate its new street address.

IV. DISCUSSION OF INSURANCE PROGRAMS

PBGC operates two separate insurance programs for defined benefit plans. PBGC's Single-Employer Program guarantees basic pension benefits when underfunded plans terminate, when a plan sponsor demonstrates it can no longer afford its plan or goes out of business. By contrast, in the Multiemployer Program, the insured event is plan insolvency, whether or not the plan is terminated. PBGC's Multiemployer Program provides traditional financial assistance to insolvent covered plans to pay benefits at the level guaranteed by law.

The American Rescue Plan (ARP) Act of 2021 established a new multiemployer Special Financial Assistance Program (SFA), resulting in a new source of financing outside of PBGC's revolving fund. PBGC has begun to receive appropriated SFA funds to disburse to multiemployer plans that meet certain criteria. Unlike traditional financial assistance wherein PBGC provides assistance to multiemployer plans in the form of a loan, the new special financial assistance is being provided via a transfer (pass-through of funds) with no obligation of repayment. At the end of each fiscal year, any unused appropriated SFA funds must be returned to the U.S. Treasury General Fund.

By law, the two programs are funded and administered separately, and their financial conditions, results of operations, and cash flows are reported separately. The accompanying financial statements for both programs, which appear on pages 63-66, have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Please refer to Note 2: "Significant Accounting Policies" for further detail, including a description of PBGC's valuation method used in determining benefit liabilities.

While the classification of contingent liabilities described in this report generally reflects information available as of September 30, 2022, given the uncertainty associated with the impact of the pandemic and the economic recovery, it is not possible at this time to reasonably estimate all the potential effects of the COVID-19 pandemic on the Single-Employer and Multiemployer Insurance Programs.

IV.A. SINGLE-EMPLOYER PROGRAM RESULTS OF ACTIVITIES AND TRENDS

The Single-Employer Program covers about 22.3 million people (excluding those plans that PBGC has trusteed), down from the 22.7 million people PBGC covered in FY 2021. The number of covered ongoing plans at the end of FY 2022 was about 23,800.

Plans that were terminated in a standard termination had sufficient funding to cover future benefits and distributed all plan benefits as insurance company annuities or lump sums pursuant to the standard termination requirements of ERISA. In these cases, PBGC ensures that all standard termination applications comply with statutory and regulatory requirements. PBGC periodically audits a sample of fully funded pension plans that employers terminate to determine if earned benefits have been distributed to participants.

In contrast, PBGC becomes the trustee when a covered underfunded plan terminates. PBGC applies legal limits to payouts and pays the benefits. To determine the amount to pay each participant, PBGC takes into account (a) the benefit that the participant had accrued in the terminated plan, (b) the availability of assets from the terminated plan to cover benefits, (c) how much PBGC recovers from employers for plan underfunding, and (d) the limits on guaranteed benefits provided under ERISA. The guarantee limits are indexed (i.e., they increase in proportion to increases in a specified Social Security wage index) and vary based on the participant's age and elected form of payment. Because of indexing, the guarantee limits for plans that will fail in calendar year 2023 will be 8.79 percent higher than the limits that applied for 2022 as shown below for sample ages:

MAXIMUM GUARANTEED ANNUAL BENEFIT PAYABLE AS A SINGLE LIFE ANNUITY

Age	Plans Terminating in 2023	Plans Terminating in 2022
70	$134,460	$123,595
65	$81,000	$74,455
60	$52,650	$48,396
55	$36,450	$33,505

The guarantee limit is a cap on what PBGC guarantees, not on what PBGC pays. In some cases, such as when PBGC recovers sufficient plan assets to pay more than just the maximum guarantee benefit, PBGC pays benefits above the guarantee limit.

The applicable maximum guarantee is determined by the year the retiree's plan terminated (if the plan terminated during the plan sponsor's bankruptcy, the year the sponsor entered bankruptcy) and the participant's age at the earlier of the plan termination date (the date the sponsor entered bankruptcy, if earlier) or the date the participant begins collecting benefits.

Net income for the Single-Employer Program was $5,637 million in FY 2022. The primary drivers of this income included: credits of $24,061 million due to an increase in interest factors (which has the effect of decreasing benefit liabilities and actuarial charges), net premium income and other income of $4,607 million, and $1,337 million in credits from actuarial adjustments. This was offset by investment losses of $23,032 million, administrative and other expenses of $483 million, actuarial charges due to expected interest on accrued liabilities of $482 million, losses from completed and probable terminations of $249 million, and investment expenses of $122 million.

PBGC's FY 2022 Single-Employer Program realized net income of $5,637 million compared to FY 2021 net income of $15,459 million. This unfavorable $9,822 million year-over-year change was attributable to:

(1) An increase in investment losses of $27,090 million (a loss of $23,032 million in FY 2022 compared to a gain of $4,058 million in FY 2021),
(2) a decrease in actuarial adjustment credits of $2,603 million,
(3) an increase in administrative, investment, and other expenses of $37 million,
(4) an increase in actuarial credits due to change in interest factors of $18,779 million,
(5) a decrease in losses from completed and probable terminations of $773 million (see "Single-Employer Underwriting Activity" below),
(6) a decrease in actuarial charges due to expected interest of $280 million, and
(7) an increase in net premium and other income of $76 million.

Actuarial charges and adjustments arise from changes in mortality and retirement assumptions, changes in interest factors, and expected interest. Expected interest refers to the interest that PBGC expects to accrue during the current fiscal year based on PBGC's liability and interest factors at the end of the prior year, with adjustments made for new plans and benefit payments made during the year.

SINGLE-EMPLOYER UNDERWRITING ACTIVITY

PBGC's Single-Employer Program realized a net underwriting gain of $5,212 million in FY 2022, $1,809 million less than the FY 2021 gain of $7,021 million. This $1,809 million decrease from the previous year was primarily due to a $2,603 million decrease in actuarial adjustment credits and a $55 million increase in administrative and other expenses, offset by a $773 million decrease in losses from completed and probable terminations and a $76 million increase in single-employer net premium and other income.

Premium and other income from underwriting activity increased (from $4,531 million in FY 2021 to $4,607 million in FY 2022), largely due to a $134 million increase in variable rate premium income from plan sponsors (from $2,628 million in FY 2021 to $2,762 million in FY 2022). Other income, consisting of interest on recoveries from plan sponsors, increased from $20 million in FY 2021 to $21 million in FY 2022. The increase in FY 2022 was primarily due to an increase of interest income from sponsors' employer liability settlements. The 5 percent increase in variable rate premium income was primarily due to a) increased premium rates for variable rate premiums and b) improved conditions of the plans' underfunding (i.e., lower Unfunded Vested Benefits), which was offset by the impact of amended filings pursuant to PBGC Technical Update 20-2 per the CARES Act, to revise the originally reported FY 2021 asset value resulting in lower variable rate premiums specifically for that fiscal year. Annual variable rate premium (VRP) income increased from $46 per $1,000 of underfunding (capped at $582 per participant) to $48 per $1,000 of underfunding (capped at $598 per participant) for plan years beginning in 2022.

Flat rate premium income for the Single-Employer Program decreased $8 million from $1,829 million in FY 2021 to $1,821 million in FY 2022. Factors contributing to this decrease include a decrease in the participant count in FY 2022, offset by increases in the per participant flat rate premium for plan years beginning in 2021 and 2022.

A plan's present value of vested benefits for VRP purposes is determined using three "segment" rates without regard to the Moving Ahead for Progress in the 21st Century Act (MAP-21) interest rate stabilization rules. The first of these applies to benefits expected to be paid within five years of the first day of the plan year, the second applies to the following 15 years, and the third applies to benefits expected to be paid after that.

The U.S. Department of Treasury (U.S. Treasury) determines each segment rate monthly using the portion of a corporate bond yield curve that is based on corporate bonds maturing during that segment rate period. The corporate bond yield curve is also prescribed every month by the Treasury. It reflects the yields for the previous month on investment-grade corporate bonds with varying maturities that are in the top three quality levels. PBGC's regulation provides a few alternatives with respect to which month's rates are used and whether the segment rates are averaged over 24 months.

The Corporation's "Losses (credits) from completed and probable plan terminations" decreased from a loss of $1,022 million in FY 2021 to a loss of $249 million in FY 2022. The $249 million loss is due to $282 million in charges related to new plan terminations, offset by $33 million in credits from changes to single-employer probable claims (see "Losses (credits) from Completed and Probable Terminations – Single-Employer Program" table in Note 12).

The net claim for single-employer probable terminations as of September 30, 2022, was $221 million, while the net claim as of September 30, 2021, was $254 million. This $33 million decrease is due to the termination of one probable plan in FY 2022 with a net claim of $135 million, offset by an increase in the reserve for small unidentified probables of $99 million and the addition of one new probable plan with a net claim of $3 million (see Note 6).

Single-employer administrative expenses increased by $44 million from $419 million in FY 2021 to $463 million in FY 2022.

In summary, the following key metrics describe the components of PBGC's single-employer present value of future benefits liability:

- $78,422 million – trusteed plans (5,076 plans),
- ($328) million – plans pending termination and trusteeship (24 plans). This debit is due to one large plan whose plan assets exceed its liabilities by $666 million and has applied for a standard termination. The remaining 23 plans are underfunded by $338 million. For more information on this topic please see "Protecting Pension in Standard Terminations" in VI. Single-Employer and Multiemployer Program Exposure.
- $221 million – claims for probable terminations and reserve for small single-employer unidentified plans (there was one specifically identified single-employer probable plan at September 30, 2022), and
- during FY 2022, PBGC terminated 32 underfunded single-employer plans with a net claim of $282 million.

SINGLE-EMPLOYER FINANCIAL ACTIVITY

Single-employer financial activity reflected a gain of $425 million in FY 2022, $8,013 million less than the FY 2021 gain of $8,438 million. This is due to 1) $23,032 million in investment losses (compared with $4,058 million gain in FY 2021), offset by 2) $23,579 million in net actuarial credits (compared with a net actuarial credit of $4,520 million in FY 2021), and 3) $122 million in investment expenses (compared with $140 million in FY 2021). PBGC marks its assets to market, which is consistent with the Financial Accounting Standards Board (FASB) Accounting Standards Codification Section 820, *Fair Value Measurements and Disclosures* (see Note 5).

Actuarial charges under financial activity represent the effects of changes in interest factors and the expected interest accrued on the present value of future benefits. The change in interest factors generally reflects the difference between the liability for future benefits of terminated plans at year-end when valued using updated interest factors compared to the liability when valued using the prior year's interest factors. An actuarial credit of $24,061 million due to the change in interest factors occurred in FY 2022 due to an increase in the interest factors from FY 2021.

Expected interest refers to the interest that PBGC expects to accrue during the fiscal year on PBGC's liability at the end of the prior year based on the interest factor in effect at the beginning of the year. The interest factor in effect at the beginning of FY 2022 (0.44%) decreased compared to the factor at the beginning of FY 2021 (0.62%). The Single-Employer Program's expected interest charges decreased in FY 2022 (from $762 million in FY 2021 to $482 million in FY 2022).

PBGC's single-employer Total Present Value of Future Benefits (PVFB) decreased from $108,929 million at September 30, 2021 to $78,332 million at September 30, 2022.

Components of PBGC's single-employer PVFB of $78,332 million are as follows:

- Trusteed plans – $78,422 million
- Plans pending termination and trusteeship – ($328) million
- Settlements and judgements – $17 million
- Claims for probable terminations – $221 million.

PBGC discounts its liabilities for future benefits with interest factors[1] that, together with the mortality table used by PBGC, approximate the price in the private-sector annuity market at which a plan sponsor or PBGC could settle its obligations. PBGC uses a curve of interest factors to determine the actuarial present value of estimated future benefit payments (see Note 6). The curve of spot rates for September 30, 2022 starts with an interest factor of 5.12% in year 1 and changes as the future period for discounting gets longer until year 30 when the factor becomes 4.76% and is assumed to remain level thereafter. The curve of spot rates for September 30, 2021 starts with an interest factor of 0.44% in year 1 and changes as the future period for discounting gets longer until year 30 when the factor becomes 2.30% and is assumed to remain level thereafter.

To determine future mortality rates, PBGC used the results of a 2022 Mortality Study. The Study recommended the use of Pri-2012 Total Dataset Mortality tables with adjustments. The resulting tables are projected generationally using the most currently available projection scale, which is Scale MP-2021 for the

[1] PBGC surveys life insurance industry annuity prices through the American Council of Life Insurers (ACLI) to obtain input needed to determine interest spread factors and then derives a 30-year curve of interest factors that together with PBGC's mortality assumption best matches the private sector annuity prices from the ACLI surveys. PBGC's process derives the curve of interest factors that differs least over the range of annuity prices in the ACLI surveys (see Note 6).

fiscal year 2022 valuations. The impact to PVFB from this mortality assumption change is included in the actuarial adjustments (credits) amount reported in the Underwriting section of the Statements of Operations.

IV.B. MULTIEMPLOYER PROGRAM RESULTS OF ACTIVITIES AND TRENDS

On March 11, 2021, the American Rescue Plan (ARP) Act of 2021 was enacted into law. ARP established the Special Financial Assistance (SFA) Program for financially distressed multiemployer plans that meet specific criteria. The SFA Program is administered by PBGC and is funded by general U.S. Treasury monies, not by PBGC's multiemployer insurance fund.

The amount of SFA funding to which an eligible plan is entitled is the amount the plan requires to pay all benefits and expenses, net of plan resources (including plan assets, projected future contributions, and withdrawal liability collections), through the plan year ending in 2051. The SFA payment also includes reinstatement of benefits previously suspended due to implementation of benefit suspensions under the Multiemployer Pension Reform Act of 2014 (MPRA) or benefits reduced to PBGC guaranteed benefit levels due to insolvency.

PBGC must process all SFA applications within 120 days of receipt. Upon PBGC's approval of the plan's application, PBGC will pay the SFA funds to the plan with no requirement for repayment. To accurately reflect the impact of SFA eligibility on PBGC's accrued and contingent liability, multiemployer plans expected to be eligible and eventually approved for SFA are not considered high risk and will be classified as remote. For an insolvent, but not yet terminated, plan that has an obligation to repay traditional financial assistance under section 4261 of ERISA, PBGC will issue two disbursements. The first disbursement will be a transfer to the plan to cover future benefit payments requested in the plan's SFA application. The second disbursement reimburses PBGC for the loan amount of traditional financial assistance (includes premium waivers and interest) previously provided.

ARP specifies that multiemployer plans must satisfy one or more criteria to be eligible for SFA. The criteria are as follows:

1. The plan is in critical and declining status in any plan year beginning in 2020 through 2022.
2. The plan has an approved suspension of benefits under MPRA as of March 11, 2021.
3. In a plan year beginning in 2020 through 2022, the plan meets the following criteria (the requirements do not have to be met for the same plan year):
    a. The plan is in critical status,
    b. The plan has a modified funding percentage of less than 40 percent, and
    c. The plan has a ratio of active to inactive participants which is less than 2 to 3.
4. The plan became insolvent after December 16, 2014, and has remained insolvent and not terminated as of March 11, 2021.

PBGC's determination on a plan's eligibility for SFA is not made until after a plan has submitted an application and PBGC has completed its review. For purposes of determining financial statement classification only, PBGC considers a plan that is reported to be in critical and declining status for any plan year after 2018 to be eligible for SFA under criteria (1) above. Plans that are eligible under criteria (2) are listed on the Treasury Department's website. PBGC considers any plan that meets the criteria in (3) based on information reported on its Form 5500 filing for any plan year after 2018 to be eligible for SFA for classification purposes. The information PBGC maintains on insolvent plans receiving traditional financial assistance under section 4261 of ERISA is sufficient to determine eligibility under criterion (4).

PBGC has a high expectation that every SFA eligible plan for which PBGC has accrued liability or classified as a reasonably possible loss will apply for this assistance. Based upon the prior year filings for ongoing probables, as well as more currently available information, it is anticipated that those applications for SFA will be approved and funded.

The financial impact of the SFA Program is to reduce the category of ongoing plans to approximately a zero liability for individually identified high risk plans (the only exception being a small plan bulk reserve) on the Statements of Financial Position. This significantly reduces the liability for the Multiemployer Program.

Since the SFA funding to eligible plans will likely enable the plans to pay benefits for the next 30 years, nearly the entire amount of the traditional financial assistance liability recognized in previous years, for ongoing probable plans, was reversed in FY 2021 (i.e., unbooked). The previous amount disclosed for reasonably possible plans has also been significantly decreased. These SFA eligible plans are no longer considered to be in the high-risk category as defined by either (1) projected insolvency over the next 20 years, (2) currently classified as critical and declining status, or (3) meeting the projected insolvency thresholds as defined in the PBGC's procedures. Therefore, the end result is that these SFA eligible plans are classified as remote and not presented within PBGC's financial statements.

The Multiemployer Program covers about 11.2 million participants in about 1,360 insured plans. Generally, a multiemployer plan is a pension plan sponsored by two or more unrelated employers under collective bargaining agreements with one or more unions. Multiemployer plans cover most unionized workers in the trucking, retail food, construction, mining, garment, and other industries. Workers accrue pension credits in the plan even when they change employment from one contributing employer to another. For a participant with 30 years of service, the maximum annual benefit guarantee is $12,870, which is much lower than for the participants under the Single-Employer Program (where premium rates are higher).

Multiemployer plans are typically governed by a board of trustees appointed in equal numbers by labor and management. Under ERISA, the trustees have a fiduciary duty to act solely in the interest of participants and beneficiaries. Multiemployer plans are subject to ERISA's minimum funding requirements with contributions held in a trust fund managed by the board to pay benefits and plan expenses. Assets do not revert to contributing employers. Although bargaining parties negotiate over plan contributions, they usually delegate establishment of benefit levels and plan design to the trustees.

Most collective bargaining agreements that cover multiemployer plans provide for contributions based on time worked in a covered job. Most plans base contributions on "number of hours worked." In some plans, benefits depend on the level of contributions that employers make to the plan for the participants' work.

Employers in multiemployer plans generally remain in the plan unless they go out of business, bargain out of the plan, or move their business out of the plan coverage area. If an employer withdraws from the plan, it may be assessed withdrawal liability. Withdrawal liability is generally based on the plan's unfunded vested benefits and the employer's share of total contributions made to the plan. The amount of withdrawal liability is based on the employer's share of the unfunded vested benefits in that plan, but is capped based generally on an employer's contribution history over the prior ten years and payable annually for no more than twenty years. In some instances, the employer may be assessed partial withdrawal liability.

Since the 1980's, PBGC does not trustee multiemployer plans. In the Multiemployer Program, the event triggering PBGC's guarantee is plan insolvency (the inability to pay guaranteed benefits when due), whether or not the plan has terminated. PBGC provides insolvent multiemployer plans with traditional financial assistance, in the statutorily required form of loans (generally unsecured), sufficient to pay PBGC guaranteed benefits and reasonable administrative expenses. These loans generally continue until the plan no longer needs assistance or has paid all promised benefits at the guaranteed level. These loans are generally not repaid (except for plans receiving SFA), and for that reason they are fully reserved.

Benefits under the Multiemployer Program are calculated based on (a) the benefit a participant would have received under the insolvent plan, subject to (b) the legal multiemployer guarantee under ERISA. The guaranteed amount depends on the participant's years of service and the level of the benefit accruals. Monthly benefit accrual rates per year of service up to $11 are fully guaranteed; the portion of monthly benefit accrual rates between $11 and $44 is 75 percent guaranteed; monthly benefit accrual rates in excess of $44 are not guaranteed. For example, for a participant with 20 years of service, PBGC's guarantee would cover 100 percent of annual amounts up to $2,640 and partially cover amounts in excess of that not to exceed a total of $8,580 per year. Similarly, for a participant with 30 years of service, PBGC's guarantee would cover 100 percent of annual amounts up to $3,960 and partially cover amounts in excess of that not to exceed a total of $12,870 per year. Additionally, for a participant with 40 years of service, PBGC's guarantee would cover 100 percent of annual amounts up to $5,280 and partially cover amounts in excess of that not to exceed a total of $17,160 per year. The multiemployer guarantee limit has been in place since 2001.

As shown in the Statements of Financial Position on page 64, the liability for financial assistance that PBGC provides to the multiemployer plans fall into two categories under the classification "Present value of nonrecoverable future financial assistance." The first category listed is for "Insolvent plans" (whether terminated or not) that have exhausted plan assets and are currently receiving financial assistance. The second category is for "Probable insolvent plans" representing plans that have terminated but not yet become insolvent (for the current year), as well as ongoing plans that are expected to exhaust plan assets and require financial assistance within the next 10 years.

During FY 2022, PBGC's obligations for future traditional financial assistance to multiemployer plans decreased from $3,017 million at September 30, 2021, to $2,390 million at September 30, 2022, a decrease of $627 million or 21 percent. The largest component of the current $2,390 million liability is the $1,551 million liability for insolvent plans, of which $936 million is attributable to 10 large plans.

MULTIEMPLOYER OVERALL FINANCIAL RESULTS

The Multiemployer Program reported net income of $577 million in FY 2022 compared with a net income of $64,227 million in FY 2021. This resulted in cumulative results of operations of $1,055 million in FY 2022 compared with a cumulative results of operations of $478 million in FY 2021.

The improvement in cumulative results of operations is attributable to the following key drivers impacting Multiemployer Program liabilities:

(1) A favorable change in the pension liability valuation interest factors, which generated a $675 million decrease in Multiemployer Program liabilities ($407 million to multiemployer insolvent plans and $268 million related to multiemployer probable plans).

(2) A favorable credit due to actual/expected assistance resulted in a $150 million reduction in program liabilities.
(3) A favorable change due to expected rates of return (investment income expected to be earned on probable plans' assets), which resulted in a $42 million decrease in program liabilities.
(4) A reduction to the small bulk reserve of $79 million.
(5) An unfavorable increase due to actual investment rates of return on probable plan assets (rather than the assumed rate) of $151 million.
(6) Addition of two new probable insolvent plans that resulted in a $103 million increase in program liabilities.
(7) An unfavorable increase due to data change that resulted in a $40 million increase in program liabilities.

PBGC uses a curve of interest factors to determine the actuarial present value of estimated financial assistance. For September 30, 2022, the curve of spot rates starts with an interest factor of 5.12% in year 1 and changes as the future period for discounting gets longer until year 30 when the factor becomes 4.76% and is assumed to remain level thereafter. For September 30, 2021, the curve of spot rates starts with an interest factor of 0.44% in year 1 and changes as the future period for discounting gets longer until year 30 when the factor becomes 2.30% and is assumed to remain level thereafter. (See Note 6 for the table of interest factors used.)

During FY 2022, PBGC paid $7,752 million in financial assistance consisting of $7,526 million in special financial assistance (for 29 approved plans) created by the ARP, $217 million in traditional financial assistance to 115 insolvent plans, and a final annual payment of $9 million (for a total of $27 million) in traditional financial assistance as part of PBGC's first facilitated merger of two multiemployer plans under Multiemployer Pension Reform Act of 2014 (MPRA). As of September 30, 2022, there were 86 insolvent plans expected to continue receiving traditional financial assistance covering about 93,525 participants in pay status with an additional 46,480 participants entitled to benefits once they retire. Comparatively, in FY 2021, PBGC paid $230 million in traditional financial assistance consisting of $221 million in traditional financial assistance to 109 insolvent plans and $9 million in traditional financial assistance to PBGC's first facilitated merger of two multiemployer plans under MPRA. No special financial assistance was paid in FY 2021. At FY 2021 year end, there were 77 insolvent plans expected to continue receiving traditional financial assistance covering about 52,982 participants in pay status with an additional 20,395 participants entitled to benefits once they retire.

MULTIEMPLOYER UNDERWRITING ACTIVITY

As shown on the Statements of Operations on page 65, underwriting activity reflected a net gain of $427 million in FY 2022. This was primarily attributed to $7,566 million in contributed transfer appropriation income, $349 million in net premium and other income (other income is primarily due to the reversal of the allowance of interest on notes receivable from insolvent multiemployer plans expected to be eligible to receive special financial assistance), $72 million credit from insolvent and probable plans- financial assistance, and $15 million in credits due to actuarial adjustments, offset by $7,555 million in special financial assistance expense, $11 million in administrative SFA expense, and $9 million in administrative expense.

Net premium income increased by $8 million from $331 million in FY 2021 to $339 million in FY 2022, due primarily to increases in the multiemployer per participant flat rate premium, offset by a slight decrease in the participant count in FY 2022 The multiemployer flat rate premium for plan years beginning in 2022 increased to $32 per participant from the 2021 rate of $31 per participant.

MULTIEMPLOYER FINANCIAL ACTIVITY

As shown on the Statements of Operations on page 65, financial activity reflected a gain of $150 million for FY 2022. This was attributed to credits of $408 million due to change in interest factors for plans known to be insolvent and plans about to begin receiving traditional financial assistance, offset by a $248 million loss from fixed income investments and a charge of $10 million due to expected interest. As required by law, Multiemployer Program investments consist solely of U.S. Treasury securities.

Multiemployer Program investments originate primarily from the cash receipts for premiums due from insured plans. PBGC is required to invest these premiums in obligations issued or guaranteed by the U. S. government.

Expected interest refers to the interest that PBGC expects to accrue during the fiscal year on PBGC's liability for plans known to be insolvent at the end of the prior year based on the interest factor in effect at the beginning of the year. The interest factor in effect at the beginning of FY 2022 (0.44%) decreased compared to the factor at the beginning of FY 2021 (0.62%). The multiemployer expected interest charges decreased from $11 million in FY 2021 to $10 million in FY 2022.

IV.C. MISSING PARTICIPANTS PROGRAM

The Missing Participants Program (MP Program) is governed by Section 4050 of ERISA. Under the MP Program, the benefits of missing participants can be transferred to PBGC or PBGC can be informed about other arrangements for distributing the missing participants' benefits. Through PBGC's search efforts, the MP Program helps participants find and receive the benefits being held for them. The expanded MP Program, which began in FY 2018, is designed to cover defined benefit single-employer plans that terminated under a standard termination, as well as the terminations of defined contribution plans, small professional service pension plans, and multiemployer plans. Prior to FY 2018, the MP Program covered only insured single-employer defined benefit plans terminating in a standard termination. Plans in the MP Program are categorized as follows:

- Original (legacy) PBGC Insured Defined Benefit Single-Employer Plans (plans terminating on or before 12/31/2017)
- PBGC Insured Defined Benefit Single-Employer Plans (plans terminating on or after 01/01/2018)
- Defined Contribution Plans – noncovered by PBGC
- Small Professional Services Plans – Defined Benefit noncovered by PBGC
- PBGC Insured Multiemployer Plans

A standard termination occurs when a sponsor of a PBGC insured defined benefit single-employer plan pays all the benefits it owes in a fully funded plan.

The September 30, 2022 total combined PVFB for the Missing Participants Program was $295 million for the participants whose benefits were transferred to PBGC, compared to $316 million at September 30, 2021, and is reported under "Present value of future benefits – Trusteed plans" on PBGC's balance sheet. This liability includes interest accrued from the date of transfer at the federal mid-term rate. The unlocatable participants' benefit funds ($60 million in FY 2022 compared to $198 million in FY 2021) are transferred to the PBGC by plan sponsors and subsequently earns interest on cash received.

V. OVERALL CAPITAL AND LIQUIDITY

PBGC's obligations include monthly payments to participants and beneficiaries in terminated defined benefit plans, financial assistance to multiemployer plans, investment management fees, and administrative operating expenses. The financial resources available to pay these obligations are underwriting income received from insured plan sponsors (largely premiums), the income earned on PBGC's investments, and the assets taken over from failed single-employer plans.

The Corporation has sufficient liquidity to meet its obligations for a number of years. PBGC's FY 2021 Projections Report showed that PBGC's Multiemployer Program is likely to remain solvent to a point more than 40 years out. This is an improvement over last year's FY 2020 Projections Report, in which half of projected scenarios resulted in insolvency by the end of FY 2055. However, both reports show a high degree of uncertainty, with the most pessimistic downside scenarios continuing to show a risk of insolvency in the mid-2030s. The extension of the Multiemployer Program's median solvency relative to last year's report is due primarily to two factors: favorable asset returns in 2021, and changes made in PBGC's final rule for SFA published on July 8, 2022. The changes from the July 2021 interim final rule to the final rule improve the likelihood that plans receiving SFA will be able to pay all benefits due through plan year 2051, thus reducing, but not eliminating in all scenarios, the risk that SFA plans will become insolvent in the 2030s and 2040s.

FY 2022 Memorandum Total premium cash receipts totaled $4,765 million, a decrease of $755 million from $5,520 million in FY 2021. The FY 2022 decrease of $755 million primarily reflects peak filing and the payment of premiums in October 2021 for plan year 2021 premium filings which were lower than peak filing and the payment of premiums in October 2020 for plan year 2020 premium filings. Net cash flow used by investment activities is $704 million in FY 2022 compared to $787 million provided by in FY 2021. In FY 2022, PBGC's cash receipts of $7,835 million from operating activities of the Single-Employer Program were sufficient to cover its operating cash obligations of $7,665 million. This resulted in net cash provided by operating activities of $170 million (as compared to net cash provided by operating activities of $1,517 million in FY 2021). When the single-employer cash used through investing activities of $698 million is added to this net cash provided, the Single-Employer Program in the aggregate experienced a net cash decrease of $528 million. In FY 2021, the Single-Employer Program experienced a net cash increase of $2,333 million.

PBGC's best estimate of FY 2023 premium receipts ranges between $4,950 million and $5,250 million. No reasonable estimates can be made for FY 2023 terminations, the effects of changes in interest rates, or investment income.

In the Multiemployer Program, cash receipts of $571 million from operating activities were sufficient to cover its operating cash obligations of $236 million, resulting in net cash provided by operations of $335 million. When this net cash provided is added to net cash used through investing activities of $6 million, the

Multiemployer Program in the aggregate experienced an overall net cash increase of $329 million. In FY 2021, the Multiemployer Program experienced a net cash increase of $74 million.

During FY 2022, PBGC recovered $83 million through agreements with sponsors of terminated single-employer plans for unpaid contributions and unfunded benefits. A portion of those recovered funds are paid out as additional benefits to plan participants with nonguaranteed benefits according to statutory priorities.

In FY 2022, PBGC's combined (Memorandum Total) net decrease in cash and cash equivalents amounted to $199 million, arising from a decrease of $528 million for the Single-Employer Program and an increase of $329 million for the Multiemployer Program.

VI. SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAM EXPOSURE

PBGC estimates its single-employer loss exposure to reasonably possible terminations (e.g., underfunded plans sponsored by companies with credit ratings below investment grade) as $52,032 million at September 30, 2022 and $105,381 million at September 30, 2021. PBGC's exposure to loss may be less than these amounts because of the statutory guarantee limits on insured pension plans, but PBGC is unable to estimate prospectively the extent and effect of the guarantee limitations. These estimates are determined using a measurement date as of December 31 of the previous year (see Note 9). For FY 2022, this exposure was concentrated in the following sectors: manufacturing, transportation/communications/utilities, and services.

PBGC estimates that, as of September 30, 2022, it is reasonably possible that multiemployer plans may require future traditional financial assistance of $2,218 million, compared to $329 million at September 30, 2021. The primary reason for the increase in exposure was an increase in the number of plans classified as reasonably possible to 12 plans at September 30, 2022, from only three plans classified as reasonably possible at September 30, 2021. The majority of these 12 plans were classified as reasonably possible due to plan asset losses. Additionally, the reasonably possible aggregate reserve for small plans increased due to an increase in the number of small plans projected to become insolvent within 20 years primarily due to plan asset losses.

The significant volatility in plan underfunding and sponsor credit quality over time makes long-term estimates of PBGC's expected claims uncertain. This volatility, along with the concentration of claims in a relatively small number of terminated plans, has characterized PBGC's experience to date and will likely continue. Factors such as economic conditions affecting interest rates, financial markets, and the rate of business failures will also influence PBGC's claims going forward.

PBGC's sources of information on plan underfunding are the most recent Section 4010 and PBGC premium filings, Form 5500, and other submissions to the Corporation. PBGC publishes Table S-49, "Various Measures of Underfunding in PBGC-Insured Plans," in its *Pension Insurance Data Book*. In that table the limitations of the estimates are appropriately described.

Protecting Pensions in Standard Terminations

A company can end a fully funded plan in a standard termination by paying all the benefits it owes. In FY 2022, 1,634 plans covering approximately 292,500 participants filed standard terminations. While the number of filings is in line with the average number of terminations filed in the five years prior to that, the number of participants in these plans is significantly more. Eleven large plans filed a standard termination.

In FY 2022, four large plans completed standard terminations: Sony Corporation of America Pension Value Plan, Sonoco Pension Plan for Inactive Participants, Masco Corporation Pension Plan, and Lifestyle Retirement Plan.

As in previous years, more than 90 percent of the plans that filed standard terminations were small plans with 300 or fewer participants.

When plan sponsors file standard terminations, PBGC conducts audits on a sample of plans to verify that the plan sponsors have properly calculated and paid participants' benefits. In FY 2022, PBGC conducted 242 such plan audits and, as a result, 663 people in these plans received approximately $1,030 million in additional benefits.

VII. SUMMARY OF OMB CIRCULAR A-136 DISCLOSURE OF MAJOR YEAR OVER YEAR CHANGES

Pursuant to OMB Circular A-136, Section II.2.4, *MD&A Analysis of Financial Statements and Stewardship Information Section*, the MD&A should summarize the entity's financial results, position, and condition and explain major changes (i.e., changes typically in excess of 10 percent). For significant entities (which are defined in Treasury Financial Manual (TFM) Vol. 1, Part 2, Section 4703) major changes are generally changes in excess of 10 percent and $1 billion.

PBGC is a significant entity and discloses the following major year over year changes (i.e., FY 2022 financial results compared to FY 2021) below consistent with the OMB Circular. Asset levels declined in FY 2022, reflecting market movement that impacted both fixed income and equity investments. The PBGC Single-Employer Program follows a Liability Driven Investment (LDI) strategy, which continued to work as intended in FY 2022 by reducing the volatility of the surplus. The year-over-year decline in Single-Employer assets reflected in the disclosures below coincided with a decline in liabilities, which allowed for an improvement in the positive net position.

1. Securities lending cash collateral decreased $1,564 million at September 30, 2022 from September 30, 2021, a 25% decrease. These amounts are recorded as assets and are offset with a corresponding liability. The $1,564 million decrease in securities lending cash collateral was attributable to a decrease in value of lendable securities in the custodian agent lending program. Lendable securities decreased in value due to significant declines in the fixed maturity securities and public equity securities markets.

2. Fixed maturity securities decreased by $20,485 million at September 30, 2022 from September 30, 2021, an 18% decrease. This decline primarily reflects unfavorable market movement, as returns from Total Global Bonds (excluding the Smaller Asset Managers Pilot Program) were -16.62% in FY 2022. PBGC's asset allocation continues to be consistent with its LDI strategy and PBGC's Investment Policy Statement (IPS) guidelines.

3. Public equity securities decreased $3,232 million at September 30, 2022 from September 30, 2021, a 21% decrease. This decrease reflects negative equity investment returns during FY 2022 as Total Global Public Stock was down -21.11%.

4. Present value of future benefits – Trusteed Plans decreased $30,223 million at September 30, 2022 from September 30, 2021, a 28% decrease. This decrease was primarily due to $24,916 million in net actuarial credits (primarily due to the rise in interest factors) and benefit payments of $7,042 million, offset by a $1,713 million increase due to new and prior year terminations and a $22 million decrease to estimated recoveries.

5. Payable upon return of securities loaned decreased $1,564 million at September 30, 2022 from September 30, 2021, a 25% decrease. These amounts are recorded as liabilities and are offset with a corresponding asset. The $1,564 million decrease in payable upon securities loaned was attributable to a decrease in value of lendable securities in the custodian agent lending program. Lendable securities decreased in value due to significant declines in the fixed maturity securities and public equity securities markets.

6. Contributed transfer appropriation income increased to $7,565 million for FY 2022 compared to $1 million for FY 2021. Contributed transfer appropriation income is recognized from the SFA appropriations when SFA applications are approved by PBGC as well as when SFA administrative expenses are incurred. In FY 2022, the $7,566 million of contributed transfer appropriation income was primarily due to the 30 multiemployer plans that were approved to receive special financial assistance.

7. Credits from insolvent and probable plans-financial assistance decreased $63,664 million from $63,736 million at September 30, 2021 to $72 million at September 30, 2022. This decrease is due to the reclassification of contingent liabilities under the Multiemployer Program in FY 2021, to classify as Remote all plans that are expected to be eligible for SFA. In FY 2022, there were no additional insolvent and probable multiemployer plans that were removed from PBGC's present value of nonrecoverable future financial assistance liability as a result of the new SFA Program.

8. Actuarial adjustments credits decreased $2,731 million at September 30, 2022 from September 30, 2021, a 67% decrease. This is due to a $1,294 million increase in charges from changes in mortality assumptions, a $591 million increase in charges from the change in valuation method (seriatim/non seriatim), a $454 million decrease in credits from changes in other assumptions, a $369 million increase in charges from effects of experience, an $18 million decrease in credits due to expense payments, and a $5 million increase in charges from changes in valuation software.

9. Special financial assistance expense increased $7,555 million at September 30, 2022 from September 30, 2022. Special financial assistance expense represents SFA approved (pass-through) payments made to multiemployer plans. The FY 2022 $7,555 million amount is due to 30 approved eligible SFA multiemployer plans. In FY 2021, there was no special financial assistance expense.

10. Investment income (loss) – Fixed income decreased $15,616 million at September 30, 2022 from September 30, 2021, a 397% decrease. This decrease is attributable to the significant increase in market interest rates during FY 2022, which contributed to the Total Global Bonds return of -16.62% in FY 2022, relative to FY 2021 which had a return of -4.05%.

11. Investment income (loss) – Equity decreased $10,484 million at September 30, 2022 from September 30, 2021, a 154% decrease. This decrease is due primarily to the weak investment performance of equity securities in FY 2022, relative to FY 2021. Total Global Public Stock returned -21.11% in FY 2022 and 30.25% in FY 2021.

12. Investment income (loss) – Real estate decreased $1,102 million at September 30, 2022 from September 30, 2021, a 126% decrease. This decrease is due primarily to the weak investment performance of real estate securities in FY 2022, relative to FY 2021. Total US REITS returned -17.08% in FY 2022 and 39.31% in FY 2021.

13. Due to change in interest factors increased $19,141 million in credits at September 30, 2022 from September 30, 2021, a 359% increase. This increase in credits is due to the change in interest factors used for liability valuation and is directly impacted by the significant recent rise in market interest rates.

VIII. INVESTMENT ACTIVITIES

PBGC uses institutional investment management firms to invest its assets, subject to PBGC's oversight and consistent with the Investment Policy Statement (IPS) approved by the PBGC Board of Directors. The Board approved an IPS in April 2019. Objectives listed in the IPS include utilizing LDI strategies to minimize the Single-Employer Program funded status volatility and the risk of future deficits by increasing liability-hedging assets or reducing return-seeking assets according to the target asset allocations set out in the IPS. The PBGC's LDI strategy worked as intended in FY 2022 with assets and liabilities moving in the same direction which protected PBGC's surplus from declines and lowered surplus volatility. PBGC does not determine the specific investments to be made, but instead relies on PBGC's investment managers' discretion in executing investments appropriate for their contractually assigned investment mandates. PBGC does ensure that each investment manager adheres to PBGC's prescribed investment guidelines associated with each investment mandate and measures each investment manager's performance in comparison with agreed-upon investment benchmarks.

PBGC's investment assets consist of premium revenues, which are accounted for in the revolving fund, and assets from trusteed plans and their sponsors, which are accounted for in the trust fund. By law, PBGC is required to invest certain revolving funds (i.e., Funds 1 and 2) in obligations issued or guaranteed by the United States government. Portions of the other revolving fund (i.e., Fund 7) can be invested in other debt obligations, but under PBGC's current investment policy these revolving funds are invested solely in Treasury securities (PBGC has never established funds 3, 4, 5 or 6, which ERISA authorized for special discretionary purposes).

Total revolving fund investments, including cash and investment income, on September 30, 2022, were $48,873 million ($2,425 million for Fund 1, $3,058 million for Fund 2, and $43,390 million for Fund 7). Trust fund investments totaled $68,408 million as of September 30, 2022. At the end of FY 2022, PBGC's total investments consisting of cash and cash equivalents, investments, and investment income receivable as shown on the Statements of Financial Position were $117,281 million.

The investment policy objectives are to (1) satisfy existing liabilities and future claims when due, (2) maximize funded status within a prudent risk framework that is informed by PBGC's fixed obligations and asset composition of potential trusteed plans, and (3) utilize LDI strategies to minimize funded status volatility and the risk of future deficits.

PBGC's investment program had assets under performance management of approximately $114,100 million as of September 30, 2022. Of the approximate $3,200 million difference between the September 30, 2022, investment assets reported on the Statements of Financial Position and the assets within PBGC's investment performance portfolio, approximately $2,200 million represent net unsettled purchases, $600 million for open trades not yet settled, $400 million are newly trusteed assets that have not yet been commingled, $100 million represent custodial bank holding accounts, and $100 million for private market timing differences, and by a $200 million credit in the roll-forward of non-commingled assets based upon market indices. Asset allocation percentages refer to the investments within PBGC's investment program that are subject to the Corporation's investment policy, as described below.

Cash and fixed income securities totaled about 87 percent of total assets under performance management invested at the end of FY 2022 and FY 2021. Equity securities (i.e., public equities) represented about 12 percent of total assets under performance management invested at the end of FY 2022, compared with about 13 percent at the end of FY 2021. The Total Fund Composite return (excluding private market assets and transition accounts) for FY 2022 was -16.68 percent compared with 2.49 percent in FY 2021. A small percentage of PBGC's investments are in the process of moving out of one of the manager portfolios (which was less than 0.01% for both FY 2022 and FY 2021) either for liquidation or for transfer to another manager. The return of the Total Fund Composite including these transition accounts was -16.69 percent in FY 2022, compared to 2.36 percent in FY 2021. Private market assets, comprised largely of private equity, private debt, and private real estate that are currently part of PBGC's investment portfolio, represented about 0.4 percent of total investments at the end of FY 2022, compared with 0.3 percent of total investments at the end of FY 2021.

Due to the cyclical nature of capital markets, PBGC also reports five-year returns for its investment program. For the five-year period ending September 30, 2022, PBGC's annualized return on total invested funds excluding private market assets and transition accounts was 1.85 percent compared with a total fund benchmark return of 1.41 percent — a benchmark based on the relative weights of the underlying managed accounts. Including the transition accounts, the five-year annualized return was 1.80 percent. Separately, the annualized ERISA/Pension Protection Act of 2006 (PPA) hypothetical portfolio benchmark return for the five-year period ending September 30, 2022, was 5.81 percent. (See section VIII Investment Activities - The Pension Protection Act of 2006 Reporting Requirement.)

The table below summarizes the performance of PBGC's investment program.

INVESTMENT PERFORMANCE

(Annual Rates of Return)

	September 30, 2022	September 30, 2021	Three and Five Years Ended September 30, 2022: 3 yrs	Three and Five Years Ended September 30, 2022: 5 yrs
Single-Employer Investment Performance				
Total Fund Composite	**(16.68%)**	2.49%	(1.92%)	1.85%
Total Fund Benchmark [1]	**(16.89)**	1.86	(2.44)	1.41
ERISA/PPA Portfolio Benchmark [2]	**(14.85)**	17.01	4.02	5.81
Total Global Public Stock	**(21.11)**	30.25	3.34	4.40
Total Global Public Stock Benchmark [3]	**(21.01)**	29.38	2.46	3.69
Total Global Bonds (excluding SAMPP)	**(16.62)**	(4.05)	(3.75)	0.90
Total Global Bonds Benchmark [4]	**(16.89)**	(4.63)	(4.19)	0.53
Smaller Asset Managers Pilot Program [5]	**(14.66)**	0.53	(2.61)	0.20
Trust Funds	**(17.19)**	8.81	(0.69)	2.56
Revolving Funds [6]	**(15.95)**	(6.42)	(3.70)	0.77
Indices Applicable to Single-Employer Investments				
Russell 3000 Index	**(17.63)**	31.88	7.70	8.62
MSCI ACWI ex-U.S. IMI Index	**(25.72)**	25.16	(1.27)	(0.78)
Dow Jones U.S. Select Real Estate Securities Index	**(17.21)**	40.56	(3.31)	1.93
Bloomberg U.S. Treasury Index	**(12.94)**	(3.30)	(3.11)	(0.23)
Bloomberg U.S. Aggregate Bond Benchmark	**(14.60)**	(0.90)	(3.26)	(0.27)
Multiemployer Investment Performance				
Multiemployer Revolving Fund [7]	**(9.20)**	(1.71)	(1.25)	N/A
Index Applicable to Multiemployer Investments				
Bloomberg U.S. Aggregate Treasury 3-7 Years [6]	**(11.26)**	(1.74)	(2.24)	(0.01)

Note - Composites and indices above exclude Transition Accounts and Private Market Assets.

[1] The Total Fund Benchmark is a dynamic weighted benchmark based upon the weights of the Total Global Public Stock Benchmark, the Total Global Bonds Benchmark and the Total Money Market Securities Benchmark. This benchmark is utilized to compare against the Total Fund Composite returns shown above.

[2] The ERISA/PPA Portfolio Benchmark is based upon a hypothetical portfolio with a 60 percent allocation to the Standard & Poor's 500 equity index and a 40 percent allocation to the Bloomberg U.S. Aggregate Bond index. See section VIII Investment Activities (The Pension Protection Act of 2006 Reporting Requirement).

[3] The Total Global Public Stock Benchmark is a dynamic weighted benchmark based upon the weights of the U.S. Public Stock composite and the International Public Stock composite and the returns of their respective benchmarks.

[4] The Total Global Bonds Benchmark is a dynamic weighted benchmark based upon the weights of PBGC's fixed income managers, excluding SAMPP, and the returns of their respective benchmarks.

[5] The performance inception date for the Smaller Asset Managers Program is August 2016. This program is currently benchmarked against the Bloomberg U.S. Aggregate Bond index, shown within the Indices section.

[6] As of October 2019, Total Revolving Fund reflects the Single-Employer Plan's Revolving Fund investment returns and assets. Periods which include dates prior to October 2019 reflect the Single-Employer Plan's and Multiemployer Plan's combined investment returns and assets.

[7] The performance inception date for the Multiemployer Revolving Fund is October 2019. As such, the five-year performance is not yet available. This fund is currently benchmarked against the Bloomberg U.S. Aggregate Treasury 3-7 Years.

FIXED INCOME

As described below, PBGC fixed income investment managers use a number of different benchmarks. Where applicable, the relative percentage that each index or benchmark represents for its respective asset class is provided. The percentage invested under each benchmark(s), in aggregate, for each asset class relative to the overall PBGC investment program as of September 30, 2022, is also parenthetically provided in the text below.

The Total Global Bonds Benchmark is a dynamic weighted benchmark based on the weights of the underlying fixed income managers and the returns of their respective benchmarks. As of September 30, 2022, the weighted benchmark encompasses the Completion Treasuries Benchmark (52.9 percent), the Credit Completion Benchmark (7.5 percent), the Total Long Duration Bonds Benchmark (18.9 percent), the Bloomberg Aggregate Bond index (18.6 percent), and the Total Emerging Market Bonds Benchmark (2.1 percent). The overall Total Global Bonds composite equals 82.0 percent of the total PBGC portfolio.

Completion Treasuries: This category includes investments in U.S. Treasury securities managed by outside professional asset managers and it applies to 43.4 percent of PBGC's investment program assets as of September 30, 2022. The assets of this category are split among the Revolving Fund (89.5 percent) and Trust Fund (10.5 percent). The objective of this category – in conjunction with the assets of Credit Completion, Long Duration, Core, Smaller Asset Manager Pilot Program, and Money Market Securities – is to hedge a portion of the single-employer liabilities. While PBGC can redeem composite assets upon request, those composite assets that are part of the Revolving Fund can only be redeemed to meet pension benefit obligations and administrative expenses.

Credit Completion: This category includes investments in United States Dollar (USD) denominated fixed-income securities managed by an outside professional asset manager and it applies to 6.1 percent of PBGC's investment program assets as of September 30, 2022. The Credit Completion Benchmark is a custom blend of multiple Bloomberg indices, whose underlying components include credit, corporate, and U.S. Treasury securities. The credit and corporate components include publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity (intermediate and long duration), liquidity, and quality (investment grade) requirements. PBGC is able to redeem composite assets upon request.

Long Duration: This category includes investments mainly in USD-denominated fixed income securities managed by outside professional asset managers and applies to 15.5 percent of PBGC's investment program assets as of September 30, 2022. The Total Long Duration Bonds Benchmark is a dynamic weighted benchmark based on the weights of the underlying Trust Fund long-duration fixed income managers and the returns of their respective benchmarks. As of September 30, 2022, the Total Long Duration Bonds Benchmark encompasses the Bloomberg Long U.S. Government/Credit index (25.0 percent), the Bloomberg Long U.S. Corporate index (1.3 percent), and Custom Benchmarks (73.7 percent). The Bloomberg Long U.S. Government/Credit index includes both government and credit securities. The government component includes public obligations of the U.S. Treasury that have remaining maturities of more than one year and publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government. The credit component of the index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality (investment grade) requirements. The Bloomberg Long U.S. Corporate index includes investment grade, fixed-rate, taxable, U.S. dollar-denominated U.S. corporate bonds that have a maturity of greater than or equal to 10 years. The custom benchmarks include similar securities and are weighted combinations of sub-sector benchmarks. PBGC is able to redeem composite assets upon request.

Core: This category includes investments primarily in USD-denominated fixed income securities managed by outside professional asset managers. It applies to 15.2 percent of PBGC's investment program assets as of September 30, 2022. The Core Fixed Income Benchmark is the Bloomberg Aggregate Bond index. The Bloomberg Aggregate Bond index includes securities that are registered with the Securities and Exchange Commission (SEC) and are taxable and dollar-denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, asset-backed securities, and foreign securities. PBGC is able to redeem composite assets upon request.

Emerging Market Bonds: This category includes fixed income securities denominated in either U.S. dollars or foreign currencies and managed by outside professional asset managers. It makes up 1.7 percent of PBGC's investment program assets as of September 30, 2022. The Total Emerging Market Bonds Benchmark is a dynamic weighted benchmark based on the weights of all emerging market bond managers and the returns of their respective benchmarks. As of September 30, 2022, the weighted benchmark encompasses the JP Morgan EMBIG Diversified index (25.7 percent), JP Morgan GBI EM Global Diversified (25.7 percent) and Custom Benchmarks (48.6 percent). The custom benchmarks are weighted combinations of the JP Morgan EMBIG Diversified and the JP Morgan GBI EM Global Diversified indices. The JP Morgan EMBIG Diversified index includes USD-denominated debt instruments issued by Emerging Market countries. The index also includes USD-denominated Brady bonds, Eurobonds, and traded loans issued by sovereign and quasi-sovereign entities. The JP Morgan GBI EM Global Diversified index includes local currency or non-U.S. dollar-denominated debt instruments issued by Emerging Market countries. PBGC is able to redeem composite assets upon request.

MONEY MARKET SECURITIES

This category includes investments in money market instruments managed by an outside professional asset manager who invests in a diversified portfolio of short-term obligations and deposits, including, but not limited to, Treasury and agency obligations, certificates of deposits, commercial paper, and repurchase agreements (Trust Fund Cash). In addition, the category includes overnight investments in Treasury securities held at Treasury (Revolving Fund Cash). The Total Money Market Securities Benchmark is a dynamic weighted benchmark based on the weights of the Trust Fund Cash and the Revolving Fund Cash and the returns of their respective benchmarks. As of September 30, 2022, the weighted benchmark encompasses the 3-month Treasury bill (27.7 percent) and the 4-week Treasury bill (72.3 percent). The cash composite represents 3.7 percent of PBGC's investment program as of September 30, 2022. PBGC is able to redeem money market securities upon request.

GLOBAL PUBLIC STOCK

This category includes investments in the U.S. Public Stock composite and the International Public Stock composite and applies to 12.4 percent of PBGC's investment program assets as of September 30, 2022. The Total Global Public Stock Benchmark is a dynamic weighted benchmark based upon the weights of the U.S. Public Stock composite and the International Public Stock composite and the returns of their respective benchmarks. As of September 30, 2022, the Total Global Public Stock Benchmark comprises the Total U.S. Public Stock Benchmark (57.9 percent) and the Total International Public Stock Benchmark (42.1 percent). PBGC is able to redeem composite assets upon request.

U.S. Public Stock: This category includes investments in U.S. publicly traded equity securities and U.S. publicly traded real estate investment trusts (REITs) managed by outside professional asset managers. It applies to 7.2 percent of PBGC's investment program assets as of September 30, 2022. The Total U.S. Public Stock Benchmark is a dynamic weighted benchmark based upon the weights of the U.S. Public Stock managers and the returns of their respective benchmarks. As of September 30, 2022, the weighted benchmark comprises the Russell 3000 index (83.2 percent), the Dow Jones U.S. Select Real Estate Securities index (3.1 percent), and the FTSE NAREIT EQ REITs index (13.7 percent). PBGC is able to redeem composite assets upon request.

International Public Stock: This category includes investments in International Equity securities managed by outside professional asset managers. It applies to 5.2 percent of PBGC's investment program assets as of September 30, 2022. The Total International Public Stock Benchmark is a dynamic weighted benchmark based upon the weights of the international public stock managers and the returns of their respective benchmarks. As of September 30, 2022, the weighted benchmark encompasses the MSCI EAFE index (30.7 percent), the MSCI EAFE Value index (10.7 percent), the MSCI EAFE IMI index (16.9 percent), the MSCI EAFE Small Cap index (6.7 percent), the MSCI Emerging Markets index (26.5 percent), and the MSCI Canada IMI index (8.5 percent). The MSCI EAFE index (Europe, Australasia and Far East) is designed to measure the developed markets large and mid-capitalization equity performance, excluding the U.S. and Canada. The MSCI EAFE Value index is designed to measure the performance of developed markets large and mid-capitalization equities exhibiting value style characteristics, excluding the U.S. and Canada. The MSCI EAFE IMI index is designed to measure the developed markets large, mid, and small capitalization equity performance, excluding the U.S. and Canada. The MSCI EAFE Small Cap index is designed to measure the developed markets small capitalization equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets index is designed to measure equity market performance of emerging markets. The MSCI Canada IMI index is designed to measure the large, mid, and small capitalization equity market performance of Canada. PBGC is able to redeem composite assets upon request.

SMALLER ASSET MANAGERS PILOT PROGRAM

PBGC implemented the Smaller Asset Managers Pilot Program (SAMPP), which created new opportunities for smaller asset managers who wish to compete for the agency's business. Five investment management firms were selected to participate in the pilot program and were funded in FY 2016. This category includes investments primarily in USD-denominated fixed income securities managed by outside professional asset managers. It applies to 1.5 percent of PBGC's investment program assets as of September 30, 2022. The Smaller Asset Managers Pilot Program Benchmark is the Bloomberg Aggregate Bond index. The Bloomberg Aggregate Bond index includes securities that are SEC-registered, taxable, and dollar-denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, asset-backed securities, and foreign securities. PBGC is able to redeem composite assets upon request. Earlier this year PBGC's Board of Directors approved making the SAMPP an ongoing program.

PBGC announced that it is hosting an Industry Day virtual conference for asset management firms interested in the Smaller Asset Managers Program (SAMP) on November 10, 2022, to describe PBGC's upcoming fixed income management services solicitation and the federal procurement process. PBGC's goal is to expand the number of contracts awarded under the SAMP program.

INHERITED PRIVATE MARKETS

This category includes private equity, private debt, and private real estate funds inherited from trusteed plans. These private market investments invest mainly in buyouts, venture capital, distressed debt, and commercial real estate. It applies to 0.4 percent of PBGC's investment program assets as of September 30, 2022. Private investments are difficult to benchmark due to their illiquid nature. Typical benchmarks utilized for private equity include universe comparisons, where funds that have the same original investment date are compared against the performance of a similar fund. For direct private real estate investments, many institutions use the National Council of Real Estate Investment Funds (NCREIF) index, which includes U.S. commercial real estate properties acquired in the private market for investment purposes. For investments in private equity real estate, peer universe comparisons based on similar funds with the same original investment date are often utilized. Private market investments typically do not have redemption provisions; instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the funds. It is estimated that the majority of the underlying assets of the funds will be liquidated over the next five years. The fair values of the investments in this category have been estimated using the net asset value of PBGC's ownership interest in partners' capital.

THE PENSION PROTECTION ACT OF 2006 REPORTING REQUIREMENT

The Pension Protection Act of 2006 requires PBGC to estimate the effect of an asset allocation based on a combination of two commonly used market benchmarks. The hypothetical portfolio presented below, with a 60 percent allocation to the Standard & Poor's 500 equity index and a 40 percent allocation to the Bloomberg Aggregate Bond index, would have increased the assets of the Corporation by about $1.2 billion (-14.85 percent return compared with PBGC's Total Fund Composite return including transition accounts of -16.69 percent) for the one-year period ending September 30, 2022, and increased the assets of the Corporation by about $25.8 billion (5.81 percent annualized return compared with PBGC's Total Fund Composite annualized return including transition accounts of 1.80 percent) over the five-year period ending September 30, 2022. Per the IPS approved by PBGC's Board of Directors, PBGC invests its portfolio with a Liability Driven Investment strategy and, therefore, the comparison to a hypothetical pension plan with an allocation of 60 percent to equities and 40 percent to fixed income is not a representative comparison. For further analysis of PBGC's Investment Activities please refer to the MD&A of Results of Operations and Financial Position. These results are summarized in the following table.

INVESTMENT PORTFOLIO ANALYSIS

60/40 Hypothetical Portfolio Analysis Versus PBGC Fiscal Year Actual Return (60/40 comprises S&P 500 Index/Bloomberg Aggregate Bond Index)						
	1-Year Period Ending			5-Year Period Ending		
Fiscal Year	60/40 Incremental $ Billions	60/40 % Return	PBGC Actual Return[1]	60/40 Incremental $ Billions	60/40 % Return	PBGC Actual Return[1]
9/30/2021	$24.4	17.01%	2.36%	$36.8	11.56%	6.73%
9/30/2022	$1.2	-14.85%	-16.69%	$25.8	5.81%	1.80%

[1] PBGC actual return is the PBGC's Total Fund Composite return including transition accounts.

ANALYSIS OF SYSTEMS, CONTROLS AND LEGAL COMPLIANCE

PBGC maintains an Internal Controls Program designed to support compliance with the requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA), the Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book), the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, *and its appendices,* as applicable, and other relevant laws and regulations. PBGC has continued implementing the requirements specified in the GAO Green Book and OMB Circular A-123 and, as noted below, performs a number of corporate-wide activities that serve to support the FMFIA Statement of Assurance. For FY 2022, PBGC provided an unmodified FMFIA Statement of Assurance. Please refer to annual statement of assurance, as described below.

INTERNAL CONTROL COMMITTEE

The PBGC Internal Control Committee (ICC) provides corporate oversight and accountability regarding internal controls over PBGC's operations, reporting, and compliance with laws and regulations consistent with the GAO Green Book, OMB Circular A-123 and FMFIA requirements. Chaired by the agency's Chief Financial Officer, the ICC includes senior-level executives and management representatives from each executive office within the agency and a representative from the OIG, who is a non-voting member. The ICC oversees the process by which internal controls are documented, implemented and assessed within the agency; reviews and approves significant revisions to key business level and entity-wide controls; monitors the status of internal control deficiencies and related corrective actions; and considers other matters, including controls designed to prevent or detect fraud. The ICC also interacts with the agency's Risk Management Council (RMC) regarding its oversight of the risk assessment processes.

DOCUMENTATION AND EVALUATION OF INTERNAL CONTROLS

As part of the agency's Internal Controls Program, key business level and entity-wide controls are evaluated, on an annual basis, to assess the adequacy of the control design and the extent to which they are operating effectively in accordance with GAO Green Book standards. The evaluation is performed using a risk-based approach as required by OMB Circular A-123. Reports regarding results of the evaluation are provided to stakeholders within the agency, and corrective actions are recommended and remediated by management, as appropriate. The following provides additional information regarding management's documentation and evaluation of internal controls and areas of focus include:

Standards for Internal Control in the Federal Government (Green Book): These standards, published by the GAO, provide criteria to be used by federal agencies for designing, implementing and operating an effective internal control system. In FY 2022, under ICC direction, agency management continued its comprehensive evaluation of the PBGC's internal control system with regard to the design, implementation and operating effectiveness of the five components and 17 principles of internal controls, as outlined in the Green Book. As part of this evaluation, agency management performed its annual assessment of internal controls using the Green Book, as required by OMB Circular A-123. Based on management's evaluation and the results of the annual assessment, it was determined that PBGC continues to have an effective internal controls system and remains in compliance with the Green Book.

Business Level Controls: Business level controls are controls that are built directly into operational processes to support an organization in achieving its objectives and addressing related risks. The agency has developed, implemented and maintained business level controls within its 12 major business processes cycles, which include: *Benefit Payments, Benefit Determinations, Budget and Finance, Financial Reporting, Human Resources and Payroll, Investments, Losses from Completed and Probable Terminations, Multiemployer, Procurement Accounts Payable and Related Expenses, Premiums, Single-Employer Contingent Liability,* and *Present Value of Future Benefits*. The ICC has designated certain business level controls as "key" with regard to the agency's operations, reporting and compliance requirements, and employees designated as "key control owners" and their supervisors provide quarterly representations certifying the performance of those controls and to maintain evidence documenting control execution. These controls are also documented in business cycle memoranda which are updated on an annual basis by control owners and other stakeholders.

Entity-Wide Controls: Entity-wide controls are controls that have a pervasive effect on an entity's internal control system. These controls are overarching and support the overall effectiveness of PBGC's internal control environment. The ICC has designated certain entity-wide controls as key to meeting the agency's control objectives over operations, reporting and compliance with laws and regulations within the following six categories: control environment, risk assessment, control activities, information and communication, monitoring, and anti-fraud. Many of these controls also address the five components and 17 underlying control principles of internal controls, as required by the GAO Green Book, and the related categories of objectives.

Fraud Prevention: In FY 2022, PBGC continued efforts to fully implement GAO's *Framework for Managing Fraud Risks in Federal Programs*. This work is focused on identifying and responding to fraud risks and developing control activities to prevent and detect fraud. The use of this framework is required by OMB Circular A-123 and the Payment Integrity Information Act of 2019. As part of the framework, potential fraud areas are identified, and key controls are evaluated and implemented as proactive measures to prevent fraud. Monitoring activities include supervisory approvals, management reports, and exception reporting. PBGC management performs due diligence in areas of suspected or alleged fraud.

Further, as required by Executive Order 13587, PBGC maintains an insider threat detection and prevention program to prevent, detect, deter, and remediate internal threats to the agency's assets. As part of the expansion of this program, an Insider Threat, Privacy and Security Reportal was developed which allows all PBGC staff and contractors to report an insider threat, privacy, or security incident in an effective and efficient manner. Additionally, the agency implemented technology to block the intentional or unintentional release of Personally Identifiable Information (PII) and to detect and alert on anomalous user behavior on PBGC's network. In FY 2022, the ICC approved key entity-wide internal controls over these and other control activities performed regarding the agency's insider threat program.

PBGC also instituted other controls relating to fraud prevention such as the maintenance of hotlines for PBGC employees, contractors and the public to confidentially report suspected wrongdoing or allegations of possible fraud, waste or abuse occurring in a PBGC program or operation. In addition, the agency regularly issues communications to employees and contractors and provides training to promote fraud awareness.

Information Technology Controls: In order to protect the confidentiality, integrity, and availability of the PBGC information systems and the information processed and stored by those systems, PBGC implements the controls included in the National Institute of Standards and Technology's (NIST) Special Publication No.

800-53, Security and Privacy Controls for Federal Information Systems and Organizations. These controls are documented as part of System Security Plans which are maintained within the Cyber Security Assessment and Management (CSAM) tool managed by the Office of Information Technology's (OIT) Enterprise Cybersecurity Department.

Digital Accountability and Transparency Act (DATA Act): The DATA Act of 2014 was designed to increase the standardization and transparency of federal spending. It requires the disclosure of direct federal agency expenditures and linking federal contract, loan and grant spending information of federal agencies to enable taxpayers and policymakers to track federal spending more effectively. The law required the establishment of government-wide data standards established by the OMB and the Department of the Treasury to provide consistent, reliable, researchable, and usable spending data on USASpending.gov. The agency continues to maintain, perform and assess the design and operating effectiveness of key controls over data quality to support the achievement of DATA Act reporting objectives. Further, as required by Appendix A to OMB Circular A-123, *Management of Reporting and Data Integrity Risk (Memorandum M-18-16),* the agency developed and maintained a Data Quality Plan that considers incremental risks and internal controls over the input and validation of data submitted to USAspending.gov in accordance with OMB requirements. Consideration of the plan was included in the agency's annual assurance statement as described in the FMFIA process below.

ASSESSMENT OF PAYMENT INTEGRITY RISK

Based on the requirements of Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*, and related improper payment legislation, PBGC performed a risk assessment in FY 2022 over the agency's *Payments to Contractors* and *Financial Assistance Payments* programs. Please refer to the *Payment Integrity Act Reporting* section of this annual report for additional information.

AUDIT COORDINATION AND FOLLOW-UP PROGRAM

In implementing OMB Circular A-50, PBGC has established its Audit Coordination and Follow-up Directive. It is PBGC's policy to fully cooperate with audits of PBGC operations and ensure the efficient tracking, resolution, and implementation of agreed-upon audit recommendations contained in audit reports issued by the OIG and GAO. PBGC has dedicated staff to coordinate with OIG and GAO audit representatives in providing access to records and information needed to complete audits and ensure that management responses to draft reports are provided in a timely manner. To facilitate timely completion and closure of audit recommendations, staff regularly monitors implementation efforts, including regular distribution of audit follow-up status reports to executive management and formal submission of documentation evidencing completion of required corrective actions. Status reports are used to document planned corrective actions and estimated completion dates; they also indicate those recommendations for which work has been completed and reported as such to the OIG and to GAO. In addition, PBGC prepares a management report to the Semiannual Report to Congress (SARC) issued by the OIG, which addresses the status of agreed-upon OIG recommendations and provides other information required under the Inspector General Act of 1978, as amended.

COMPLIANCE WITH LAWS, REGULATIONS, AND OTHER REQUIREMENTS

To foster an environment that promotes compliance with laws and regulations, PBGC maintains two legal compendia: the Compendium of Laws lists statutes that may have a significant impact on PBGC's financial statements or PBGC operations, the Compendium of Executive Orders and OMB Requirements lists Executive Branch requirements applicable to PBGC. These documents provide brief descriptions of each applicable requirement and identify the PBGC department or other component with primary compliance responsibility. PBGC updates and maintains these lists to help ensure compliance with applicable laws, regulations, and other requirements. In addition, the ICC enhanced PBGC's control environment by adding and augmenting other specific controls to ensure compliance with laws, regulations and other requirements.

ENTERPRISE RISK MANAGEMENT ACTIVITIES

As a part of PBGC's Enterprise Risk Management (ERM) activities, the RMC conducted an agency-wide risk assessment, which was used to prepare the FY 2022 Risk Profile. The RMC – chaired by the Risk Management Officer – also met with risk owners to discuss mitigation strategies for PBGC's top risks and related measures to assess strategy effectiveness. Agency-wide communication regarding ERM, the automated ERM-related dashboard and the recurring call for emerging risks continued to foster a risk management aware culture. In addition, ERM principles remained integrated into key decision-making processes, such as strategic planning, organizational performance, budgeting and the development and implementation of agency internal controls.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT STATEMENT OF ASSURANCE (FMFIA) ASSURANCE STATEMENT PROCESS

Pursuant to Office of Management and Budget (OMB) Circular A-123, government corporations are required to provide a statement on control systems by the head of the management of the corporation consistent with the requirements of the FMFIA. To assist in this effort, the agency's department and office directors performed assessments of risk and internal controls over the effectiveness and efficiency of their operations, reliability of reporting and compliance with applicable laws and regulations. These assessments addressed several different considerations affecting internal control objectives, such as: the development and implementation of policies and procedures; extent of management oversight; results of internal and external reviews (e.g., Office of Inspector General (OIG), government Accountability Office (GAO), or other reviews); the safeguarding of assets; implementation of data quality plan (DATA Act Reporting); processes and controls over the special financial assistance program and other agency payment streams, government charge card management and practices; and the evaluation of known internal control deficiencies and applicable OMB requirements related to financial management systems. These directors also provided assurance statements for their reporting area which assisted with the determination of the type of assurance recommended to the Agency Director. In addition, the Internal Control Committee (ICC) assessed cross-cutting internal control issues for consideration by members of PBGC's executive management. Based on the results of the completed assessments, review of the departmental assurance statements and consideration of other relevant factors, PBGC's executive management recommended, and the Director approved, the FY 2022 FMFIA Statement of Assurance included below.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT STATEMENT OF ASSURANCE

The PBGC's management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act. The PBGC conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control.

In our prior statement of assurance, we noted that we were made aware of fraudulent activities in procurement practices that took place in 2015 and 2016. Based on the results of PBGC's Office of Inspector General procurement integrity audit, requested by management, PBGC management enhanced internal controls, including strengthening the legal review process, adding additional reviews for contract actions originating within the Procurement Department (PD), establishing an Interagency Agreement to handle such contract actions, and establishing periodic training for PD staff on procurement integrity to identify fraud indicators. In addition, PBGC awarded a contract on September 30, 2022, to support the new acquisition management system. The system will ensure the proper routing for legal review. Implementation is expected to be complete in 27-30 months.

The American Rescue Plan Act of 2021 enacted on March 11, 2021, allows certain financially troubled multiemployer plans to apply for Special Financial Assistance (SFA). Upon approval of an application, the PBGC will make a distribution of SFA assistance via the U.S. Treasury to an eligible multiemployer plan. PBGC has developed and implemented internal controls to meet the specific requirements and mitigate risks with the SFA program. Management will continue to review the related internal control processes and consider additional controls as necessary. Additionally, PBGC is developing processes and procedures for auditing multiemployer plans that have received SFA.

Based on the results of the assessment, the PBGC can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2022.

MANAGEMENT REPRESENTATION

PBGC's management is responsible for the accompanying Statements of Financial Position of the Single-Employer and Multiemployer Funds as of September 30, 2022, and September 30, 2021, the related Statements of Operations, and the Statements of Cash Flows for the years then ended, and the related note disclosures to these statements. PBGC's management is also responsible for establishing and maintaining systems of internal accounting and administrative controls that provide reasonable assurance that the control objectives (i.e., preparing reliable financial statements, safeguarding assets, and complying with laws and regulations) are achieved.

PBGC management believes the financial statements of the Single-Employer and Multiemployer Program Funds present fairly the financial position of PBGC as of September 30, 2022, and September 30, 2021, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and actuarial standards applied on a consistent basis. As noted in the FMFIA Statement of Assurance above, PBGC provides reasonable assurance that its internal controls are effective.

Estimates of probable terminations, nonrecoverable future financial assistance, amounts due from employers, and the present value of future benefits have a material effect on the financial results being reported. Litigation has been disclosed and reported in accordance with U.S. GAAP.

As a result of the aforementioned, PBGC has based these statements, in part, upon informed judgments and estimates for those transactions not yet complete or for which the ultimate effects cannot be precisely measured, or for those that are subject to the effects of any pending litigation.

The Inspector General engaged Ernst & Young LLP to conduct the audit of the Corporation's fiscal years 2022 and 2021 financial statements, and Ernst & Young LLP issued an unmodified opinion on those financial statements.

Gordon A. Hartogensis

Gordon Hartogensis
Director

Patricia Kelly

Patricia Kelly
Chief Financial Officer

November 15, 2022

PENSION BENEFIT GUARANTY CORPORATION

STATEMENTS OF FINANCIAL POSITION

	Single-Employer Program		Multiemployer Program		Memorandum Total	
	September 30,		September 30,		September 30,	
(Dollars in Millions)	**2022**	2021	**2022**	2021	**2022**	2021
ASSETS						
Cash and cash equivalents	**$8,070**	$8,598	**$608**	$279	**$8,678**	$8,877
Restricted Cash	**-**	-	**36**	3	**36**	3
Total cash, cash equivalents, and restricted cash	**$8,070**	$8,598	**$644**	$282	**$8,714**	$8,880
Securities lending collateral (Notes 3 and 5)	**4,581**	6,145	**-**	-	**4,581**	6,145
Investments, at market (Notes 3 and 5):						
Fixed maturity securities	**90,969**	111,205	**2,439**	2,688	**93,408**	113,893
Equity securities	**12,509**	15,741	**-**	-	**12,509**	15,741
Private equity	**242**	320	**-**	-	**242**	320
Real estate and real estate investment trusts	**1,502**	2,153	**-**	-	**1,502**	2,153
Other	**282**	200	**-**	-	**282**	200
Total investments	**105,504**	129,619	**2,439**	2,688	**107,943**	132,307
Receivables, net:						
Sponsors of terminated plans	**21**	44	**-**	-	**21**	44
Premiums (Note 11)	**3,156**	2,988	**200**	198	**3,356**	3,186
Sale of securities	**1,707**	2,009	**-**	-	**1,707**	2,009
Derivative contracts (Note 4)	**655**	609	**-**	-	**655**	609
Investment income	**649**	637	**11**	11	**660**	648
Other	**8**	7	**198**	332	**206**	339
Total receivables	**6,196**	6,294	**409**	541	**6,605**	6,835
Capitalized assets, net (Note 16)	**43**	36	**1**	1	**44**	37
Total assets	**$124,394**	$150,692	**$3,493**	$3,512	**$127,887**	$154,204

The accompanying notes are an integral part of these financial statements.

The Single-Employer Program and Multiemployer Program (which includes the SFA Program) are separate by law.

The "Memorandum Total" data columns presented above are solely an entity-wide informational view of the PBGC's two independent insurance programs.

PENSION BENEFIT GUARANTY CORPORATION
STATEMENTS OF FINANCIAL POSITION

	Single-Employer Program		Multiemployer Program		Memorandum Total	
	September 30,		September 30,		September 30,	
(Dollars in Millions)	**2022**	2021	**2022**	2021	**2022**	2021
LIABILITIES						
Present value of future benefits, net (Note 6):						
Trusted plans	**$78,422**	$108,645	**-**	-	**$78,422**	$108,645
Plans pending termination and trusteeship	**(328)**	13	**-**	-	**(328)**	13
Settlements and judgments	**17**	17	**-**	-	**17**	17
Claims for probable terminations	**221**	254	**-**	-	**221**	254
Total present value of future benefits, net	**78,332**	108,929	**-**	-	**78,332**	108,929
Present value of nonrecoverable future financial assistance (Note 7)						
Insolvent plans	**-**	-	**1,551**	1,545	**1,551**	1,545
Probable insolvent plans	**-**	-	**839**	1,472	**839**	1,472
Total present value of nonrecoverable future financial assistance	**-**	-	**2,390**	3,017	**2,390**	3,017
Special financial assistance	**-**	-	**28**	-	**28**	-
Payables, net:						
Derivative contracts (Note 4)	**641**	558	**-**	-	**641**	558
Due for purchases of securities	**3,934**	3,794	**-**	-	**3,934**	3,794
Payable upon return of securities loaned	**4,581**	6,145	**-**	-	**4,581**	6,145
Unearned premiums	**254**	239	**8**	12	**262**	251
Accounts payable and accrued expenses (Note 8)	**78**	90	**6**	2	**84**	92
Total payables	**9,488**	10,826	**14**	14	**9,502**	10,840
Total liabilities	**87,820**	119,755	**2,432**	3,031	**90,252**	122,786
Contributed transfer appropriation	**-**	-	**6**	3	**6**	3
Cumulative results of operations	**36,574**	30,937	**1,055**	478	**37,629**	31,415
Net position	**36,574**	30,937	**1,061**	481	**37,635**	31,418
Total liabilities and net position	**$124,394**	$150,692	**$3,493**	$3,512	**$127,887**	$154,204

The accompanying notes are an integral part of these financial statements.
The Single-Employer Program and Multiemployer Program (which includes the SFA Program) are separate by law.
"Contributed Transfer Appropriation" represents the total unused budget authority from General Fund appropriation(s) at fiscal year end, which is returned to the U.S. Treasury if unused by fiscal year end.
The "Memorandum Total" data columns presented above are solely an entity-wide informational view of the PBGC's two independent insurance programs.

PENSION BENEFIT GUARANTY CORPORATION

STATEMENTS OF OPERATIONS

(Dollars in Millions)	Single-Employer Program For the Years Ended September 30, 2022	2021	Multiemployer Program For the Years Ended September 30, 2022	2021	Memorandum Total For the Years Ended September 30, 2022	2021
UNDERWRITING:						
Income:						
Premium, net (Note 11)	**$4,586**	$4,511	**$339**	$331	**$4,925**	$4,842
Contributed transfer appropriation income	-	-	**7,566**	1	**7,566**	1
Other	**21**	20	**10**	37	**31**	57
Total	**4,607**	$4,531	**7,915**	$369	**12,522**	4,900
Expenses:						
Administrative	**463**	419	**9**	8	**472**	427
Administrative special financial assistance	**-**	-	**11**	1	**11**	1
Other	**20**	9	**-**	-	**20**	9
Total	**483**	428	**20**	9	**503**	437
Other underwriting activity:						
Losses (credits) from completed and probable terminations (Note 12)	**249**	1,022	**-**	-	**249**	1,022
Losses (credits) from insolvent and probable plans-financial assistance (Note 7)	**-**	-	**(72)**	(63,736)	**(72)**	(63,736)
Actuarial adjustments (credits) (Note 6)	**(1,337)**	(3,940)	**(15)**	(143)	**(1,352)**	(4,083)
Special Financial Assistance Expense	**-**	-	**7,555**	-	**7,555**	-
Total	**(1,088)**	(2,918)	**7,468**	(63,879)	**6,380**	(66,797)
Underwriting gain (loss)	**5,212**	7,021	**427**	64,239	**5,639**	71,260
FINANCIAL:						
Investment income (loss) (Note 13):						
Fixed	**(19,305)**	(3,890)	**(248)**	(47)	**(19,553)**	(3,937)
Equity	**(3,655)**	6,829	**-**	-	**(3,655)**	6,829
Private equity	**6**	148	**-**	-	**6**	148
Real estate	**(229)**	873	**-**	-	**(229)**	873
Other	**151**	98	**-**	-	**151**	98
Total	**(23,032)**	4,058	**(248)**	(47)	**(23,280)**	4,011
Expenses:						
Investment	**122**	140	**-**	-	**122**	140
Actuarial charges (Note 6):						
Due to expected interest	**482**	762	**10**	11	**492**	773
Due to change in interest factors	**(24,061)**	(5,282)	**(408)**	(46)	**(24,469)**	(5,328)
Total	**(23,457)**	(4,380)	**(398)**	(35)	**(23,855)**	(4,415)
Financial gain (loss)	**425**	8,438	**150**	(12)	**575**	8,426
Net income (loss)	**5,637**	15,459	**577**	64,227	**6,214**	79,686
Cumulative results of operations, beginning of year	**30,937**	15,478	**478**	(63,749)	**31,415**	(48,271)
Cumulative results of operations, end of year	**$36,574**	$30,937	**$1,055**	$478	**$37,629**	$31,415

The accompanying notes are an integral part of these financial statements.
The Single-Employer Program and Multiemployer Program are separate by law.
The "Memorandum Total" data columns presented above are solely an entity-wide informational view of the PBGC's two independent insurance programs.

PENSION BENEFIT GUARANTY CORPORATION

STATEMENTS OF CASH FLOWS

(Dollars in millions)	Single-Employer Program For the Years Ended September 30, 2022	2021	Multiemployer Program For the Years Ended September 30, 2022	2021	Memorandum Total For the Years Ended September 30, 2022	2021
OPERATING ACTIVITIES:						
Premium receipts	**$ 4,434**	$ 5,186	**$ 331**	$ 334	**$ 4,765**	$ 5,520
Interest and dividends received	**3,188**	3,106	**10**	8	**3,198**	3,114
Plan Reimbursements from SFA	**-**	-	**230**	-	**230**	-
Cash received from plans upon trusteeship	**36**	65	**-**	-	**36**	65
Receipts from sponsors/non-sponsors	**83**	35	**-**	-	**83**	35
Receipts from the missing participant program	**62**	198	**-**	-	**62**	198
Other receipts	**32**	2	**-**	-	**32**	2
Benefit payments – trusteed plans	**(6,884)**	(6,301)	**-**	-	**(6,884)**	(6,301)
Traditional financial assistance payments	**-**	-	**(226)**	(230)	**(226)**	(230)
Settlements and judgments	**-**	-	**-**	-	**-**	-
Payments for administrative and other expenses	**(576)**	(532)	**(9)**	(8)	**(585)**	(540)
Accrued interest paid on securities purchased	**(205)**	(242)	**(1)**	(1)	**(206)**	(243)
Net cash provided (used) by operating activities (Note 15)	**170**	1,517	**335**	103	**505**	1,620
INVESTING ACTIVITIES:						
Proceeds from sales of investments	**147,157**	196,876	**306**	637	**147,463**	197,513
Payments for purchases of investments	**(147,855)**	(196,060)	**(312)**	(666)	**(148,167)**	(196,726)
Net change in investment of securities lending collateral	**(1,564)**	2,197	**-**	-	**(1,564)**	2,197
Net change in securities lending payable	**1,564**	(2,197)	**-**	-	**1,564**	(2,197)
Net cash provided (used) by investing activities	**(698)**	816	**(6)**	(29)	**(704)**	787
Net increase (decrease) in cash and cash equivalents	**(528)**	2,333	**329**	74	**(199)**	2,407
Cash and cash equivalents, beginning of year	**8,598**	6,265	**279**	205	**8,877**	6,470
Cash and cash equivalents, end of year	**$ 8,070**	$8,598	**$ 608**	$ 279	**$ 8,678**	$ 8,877
SPECIAL FINANCIAL ASSISTANCE:						
Appropriation warrant received for SFA	**-**	-	**48,417**	3	**48,417**	3
Return of unobligated appropriated funds	**-**	-	**(40,848)**	**-**	**(40,848)**	-
Total SFA administrative and payroll expense payments	**-**	-	**(10)**	**-**	**(10)**	-
Special financial assistance payments	**-**	-	**(7,526)**	**-**	**(7,526)**	-
Net increase (decrease) in restricted cash	**-**	-	**33**	3	**33**	3
Special financial assistance restricted cash, beginning of year			**3**	-	**3**	-
Special financial assistance restricted cash, end of year	**-**		**36**	3	**36**	3
Cash, cash equivalents, and restricted cash, end of year	**$ 8,070**	$ 8,598	**$ 644**	$ 282	**$ 8,714**	$ 8,880

The above cash flows are for trusteed plans and do not include non-trusteed plans.
The accompanying notes are an integral part of these financial statements.
The Single-Employer Program and Multiemployer Program (which includes the SFA Program) are separate by law.
The "Memorandum Total" data columns presented above are solely an entity-wide informational view of the PBGC's two independent insurance programs.
Special Financial Assistance is provided under the American Rescue Plan Act of 2021, which provides for appropriated funds to eligible SFA multiemployer plans that are transferred from the U.S. Treasury's General Fund to PBGC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

NOTE 1: ORGANIZATION AND PURPOSE

The Pension Benefit Guaranty Corporation (PBGC or the Corporation) is a federal corporation created by Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) and is subject to the provisions of the Government Corporation Control Act. Its activities are defined by ERISA, as that Act has been amended over the years. The Corporation insures the pension benefits, within statutory limits, of participants in covered single-employer and multiemployer defined benefit pension plans.

ERISA requires that PBGC programs be self-financing. ERISA provides that the U.S. Government is not liable for any obligation or liability incurred by PBGC.

On March 11, 2021, the President signed into law the American Rescue Plan (ARP) Act of 2021. ARP amended ERISA and added section 4262, Special Financial Assistance (SFA) by the Corporation, which provides funding from the U.S. Treasury's General Fund for payments to eligible multiemployer plans covering their full plan benefits through 2051 (see MD&A discussion on page 33). An ERISA eighth fund has been established for SFA, which is the first time PBGC has an appropriated fund. PBGC received a new appropriation to cover SFA administration costs, and going forward, PBGC will receive annual pass-through transfers to cover both SFA administration costs and SFA. This is mandatory funding with an indefinite appropriation for a period of availability of 10 years.

For financial statement purposes, PBGC divides its business activity into two broad areas — "Underwriting Activity" and "Financial Activity" — covering both Single-Employer and Multiemployer Program segments. PBGC's underwriting activity provides financial guaranty insurance in return for insurance premiums (whether actually paid or not). Actual and expected probable losses that result from the termination of underfunded pension plans are included in this category, as are actuarial adjustments based on changes in actuarial assumptions, such as mortality. PBGC's financial activity consists of the performance of PBGC's assets and liabilities. PBGC's assets consist of premiums collected from defined benefit plan sponsors, assets from distress or PBGC-initiated terminated plans that PBGC has insured, and recoveries from the former sponsors of those terminated plans. PBGC's future benefit liabilities consist of those future benefits, under statutory limits, that PBGC has assumed following distress or PBGC-initiated terminations (also referred to as an involuntary termination). Gains and losses on PBGC's investments and changes in the value of PBGC's future benefit liabilities (e.g., actuarial charges such as changes in interest factors and expected interest) are included in "Financial Activity".

As of September 30, 2022, the Single-Employer and Multiemployer Programs reported Cumulative results of operations of $36,574 million and $1,055 million, respectively. The Single-Employer Program had assets of $124,394 million, offset by total liabilities of $87,820 million, which include total present value of future benefits (PVFB) of $78,332 million. As of September 30, 2022, the Multiemployer Program had assets of $3,493 million, offset by $2,390 million in present value of nonrecoverable future financial assistance. The Corporation has sufficient liquidity to meet its obligations to both programs for a number of years. The FY 2021 Projections Report shows that under most projection scenarios for the Multiemployer Program, the SFA provided to eligible plans under ARP delays the insolvency of PBGC's Multiemployer Program to at least 40 years out. The SFA program created by ARP is expected to enable PBGC to satisfy long-term multiemployer obligations by shoring up ongoing plans that are currently insolvent or probable to become insolvent. The result of which is a significant reduction in PBGC's liability for the total present value of nonrecoverable future financial assistance.

PBGC's $117,281 million of total investments (including cash and cash equivalents and investment income) represents the largest component of PBGC's Statements of Financial Position Memorandum Total assets of $127,887 million at September 30, 2022. This amount of $117,281 million (as compared to investments under management of $114,111 million, as reported in section VIII Investment Activities) reflects the fact that PBGC experiences a recurring inflow of trusteed plan assets that have not yet been incorporated into the PBGC investment program. For total investments (i.e., not the investment program), cash and fixed-income securities ($103,231 million) represent 88 percent of the total investments, while equity securities ($12,526 million) represent 10 percent of total investments. Private market assets, real estate, and other investments ($2,025 million), represent 2 percent of the total investments.

SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAM EXPOSURE

PBGC's estimate of the total underfunding in single-employer plans was $52,032 million for those sponsored by companies that have credit ratings below investment grade and that PBGC classified as reasonably possible of termination, as of September 30, 2022. This is a decrease of $53,349 million from the reasonably possible exposure of $105,381 million in FY 2021. This decrease is primarily due to very positive investment results on plan assets during calendar 2021 and the increase in the interest factors used for valuing liabilities as of the measurement date. These estimates are determined using a measurement date of December 31 of the previous year (see Note 9). For FY 2022, this exposure is concentrated in the following sectors: manufacturing, transportation/communications/utilities, and services.

PBGC estimates that as of September 30, 2022, it is reasonably possible that multiemployer plans may require future financial assistance in the amount of $2,218 million (see Note 9). This is an increase of $1,889 million from the reasonably possible exposure of $329 million in FY 2021. The primary reason for the increase in exposure was due to the 12 plans classified as reasonably possible at September 30, 2022, while only three plans were classified as reasonably possible at September 30, 2021. The majority of the plans newly classified as reasonably possible are due to plan asset losses. Additionally, the reasonably possible aggregate reserve for small plans increased due to an increase in the number of small plans projected to become insolvent within 20 years primarily due to plan asset losses.

There is significant volatility in plan underfunding and sponsor credit quality over time, which makes long-term estimation of PBGC's expected claims difficult. This volatility, along with the concentration of claims in a relatively small number of terminated plans, has characterized PBGC's experience to date and will likely continue. Among the factors that will influence PBGC's claims going forward are economic conditions affecting interest rates, financial markets, and the rate of business failures.

PBGC's sources of information on plan underfunding are the most recent Section 4010 and PBGC premium filings and other submissions to the Corporation. PBGC publishes Table S-49, "Various Measures of Underfunding in PBGC-Insured Plans," in its Pension Insurance Data Tables where the limitations of the estimates are appropriately described.

Under the Single-Employer Program, PBGC is liable for the payment of guaranteed benefits with respect to underfunded terminated plans. An underfunded plan may terminate only if PBGC or a bankruptcy court finds that one of the four conditions for a distress termination, as defined in ERISA, is met or if PBGC initiates terminating a plan under one of five specified statutory tests. The net liability assumed by PBGC is generally equal to the present value of the future benefits payable by PBGC less amounts provided by the plan's assets and amounts recoverable by PBGC from the plan sponsor and members of the plan sponsor's controlled group, as defined by ERISA.

Under the Multiemployer Program, if a plan becomes insolvent, it receives financial assistance from PBGC to allow the plan to continue to pay participants their guaranteed benefits. PBGC recognizes assistance as a loss to the extent that the plan is not expected to be able to repay these amounts from future plan contributions, employer withdrawal liability or investment earnings. Since multiemployer plans do not receive PBGC assistance until fully insolvent, traditional financial assistance is almost never repaid (i.e., for plans that are not eligible for SFA). For this reason, such assistance is fully reserved.

The ARP created a new Special Financial Assistance (SFA) Program for multiemployer plans that meet certain criteria (see Note 7), for which PBGC will receive appropriated funds. Unlike the traditional financial assistance PBGC provides to multiemployer plans in the form of a loan, the SFA will be provided via a transfer (pass-through of funds) with no obligation of repayment.

PBGC will report appropriated funds as Restricted Cash on the Statements of Financial Position and report income, expenses, and liabilities related to special financial assistance as separate line items on its Statements of Operations and Statements of Financial Position.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of the financial statements, in conformity with U.S. GAAP, requires PBGC to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual results could differ from those estimates.

RECENT ACCOUNTING DEVELOPMENTS

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract" which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance will be effective for fiscal years beginning after December 15, 2020 and for interim periods within annual periods beginning after December 15, 2021. PBGC has evaluated the impact of this guidance and has updated its capitalization policy in accordance with this ASU for adoption in FY 2022.

The American Rescue Plan (ARP) Act of 2021, signed into law by the President on March 11, 2021, created a program to provide special financial assistance (SFA) to financially troubled multiemployer plans. This new SFA Program is financed by an appropriation from the General Fund and the funds transferred to PBGC in the SFA appropriation are deemed a contribution from the US Government to PBGC. In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, "*Not-for-Profit Entities"* (Topic 958) which clarifies the guidance for contributions received and made. The amendments in this ASU, applicable to all entities, clarify and improve the scope and the accounting guidance for contributions received and contributions made. PBGC applies the guidance in this ASU to account for the SFA contributions as a nonreciprocal transaction to recognize revenue with donor restrictions. The funds transferred to PBGC in the SFA appropriations are deemed a contribution from the US Government to PBGC. PBGC will apply specific contribution guidance in Accounting Standards Codification 958, *Not-for-Profit Entities - Revenue Recognition-Contributions,* to recognize revenue and expenses related to the SFA Program.

In March 2020 and January 2021, the FASB issued ASUs 2020-04 and ASU 2021-01, respectively, "Reference Rate Reform" (Topic 848). Topic 848 provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. Topic 848 provides optional expedients and exceptions for applying U.S. GAAP to transactions affected by reference rate reform if certain criteria are met. Topic 848 was effective for PBGC beginning on March 12, 2020, and PBGC will apply the amendments prospectively through December 31, 2022. PBGC assessed the impact of adopting these ASUs and concluded there was no material impact on PBGC's financial statements.

In February 2016, the FASB issued ASU 2016-02, "Lease (Topic 842)." Under the new standard, PBGC will be required to recognize in its Statements of Financial Position (balance sheet), a right-of-use asset, representing the right to use the underlying asset for the lease term, and a lease liability, representing the liability to make lease payments, adjusted for lease payments made at or before lease commencement, lease incentives, and any initial direct costs, for leases longer than one year. In addition, this ASU requires expanded disclosures about the nature and terms of lease agreements. This standard will be effective for fiscal year beginning after December 15, 2021, and to interim periods beginning after December 15, 2022. PBGC is evaluating the impact of this guidance and will update its policy in accordance with this ASU upon adoption in FY 2023.

VALUATION METHOD

A key objective of PBGC's financial statements is to provide information that is useful in assessing PBGC's present and future ability to ensure that its plan beneficiaries receive benefits when due. Accordingly, PBGC values its financial assets at estimated fair value, consistent with the standards for pension plans contained in the FASB Accounting Standards Codification Section 960, *Defined Benefit Pension Plans*. PBGC values its liabilities at the present value of future benefits and present value of nonrecoverable future financial assistance using assumptions derived from market-based (fair value) annuity prices from insurance companies, as described in the Statement of Actuarial Opinion. As described in Section 960, the assumptions are "those assumptions that are inherent in the estimated cost at the (valuation) date to obtain a contract with an insurance company to provide participants with their accumulated plan benefit." Also, in accordance with Section 960, PBGC selects assumptions for expected retirement ages and the cost of administrative expenses in accordance with its best estimate of anticipated experience.

The FASB Accounting Standards Codification Section 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and expands disclosures about fair value measurements. Section 820 applies to accounting pronouncements that require or permit fair value measurements.

Furthermore, PBGC previously implemented FASB Accounting Standards Codification 820, Fair Value Measurements and Disclosures guidance related to financial statement note disclosures for certain non-Level 1 Net Asset Value (NAV) investments that use a "practical expedient" (i.e., priced without any adjustments – see FASB Updates 2015-07 and 2018-13). Level 1 NAV investments are not affected by the FASB guidance since these investments are fair value priced using quoted prices in active markets (market exchanges); however, Level 2 and Level 3 NAV investments use valuation pricing (observable for Level 2, and not observable for Level 3) for which the FASB now requires additional disclosure if the practical expedient is used. Non-Level 1 NAV investments that use the practical expedient are displayed in a NAV only category and are removed from their Level 2 or Level 3 category and added to the new exclusive NAV only category. The fair value table affected by this guidance is found in PBGC Financial Statements Note 5, Fair Value Measurements.

REVOLVING AND TRUST FUNDS

PBGC accounts for its Single-Employer and Multiemployer Programs' revolving and trust funds on an accrual basis. Each fund is charged its portion of the benefits paid each year. PBGC includes totals for the revolving and trust funds for presentation purposes in the financial statements; however, the Single-Employer and Multiemployer Programs are separate programs by law and, therefore, PBGC also reports them separately.

ERISA provides for the establishment of the revolving fund where premiums are collected and held. The assets in the revolving fund are used to cover deficits incurred by trusteed plans and to provide funds for traditional financial assistance. The Pension Protection Act of 1987 created a single-employer revolving fund (Fund 7) that is credited with all premiums in excess of $8.50 per participant, including all penalties and interest charged on these amounts, and its share of earnings from investments. This fund may not be used to pay PBGC's administrative costs or the benefits of any plan terminated prior to October 1, 1988, unless no other amounts are available.

The trust fund includes assets (e.g., pension plan investments) PBGC assumes (or expects to assume) once a terminated plan has been trusteed, and related investment income. These assets generally are held by custodian banks. The trust fund supports the operational functions of PBGC.

The trust fund reflects accounting activity associated with:

1) Trusteed plans (plans for which PBGC has legal responsibility). The assets and liabilities are reflected separately on PBGC's Statements of Financial Position, the income and expenses are included in the Statements of Operations, and the cash flows from these plans are included in the Statements of Cash Flows.

2) Plans pending termination and trusteeship (plans for which PBGC has begun the process for termination and trusteeship by fiscal year-end). The assets and liabilities for these plans are reported as a net amount on the Liabilities section of the Statements of Financial Position under "Present value of future benefits, net." For these plans, the income and expenses are included in the Statements of Operations, but the cash flows are not included in the Statements of Cash Flows.

3) Probable terminations (plans that PBGC determines are likely to terminate and be trusteed by PBGC). The assets and liabilities for these plans are reported as a net amount on the Liabilities section of the Statements of Financial Position under "Present value of future benefits, net." The accrued loss from these plans is included in the Statements of Operations as part of "Losses (credits) from completed and probable terminations." The cash flows from these plans are not included in the Statements of Cash Flows. PBGC cannot exercise legal control over a plan's assets until it becomes the trustee.

ALLOCATION OF REVOLVING AND TRUST FUNDS

PBGC allocates assets, liabilities, income, and expenses to the Single-Employer and Multiemployer Programs' revolving and trust funds to the extent that such amounts are not directly attributable to a specific fund. Revolving fund investment income is allocated on the basis of each program's average cash and investments available during the year. For the administrative expenses, see the Administrative Expense section further below in Note 2. Revolving fund assets and liabilities are allocated according to the year-end equity of each program's revolving fund. Plan assets acquired by PBGC and commingled at PBGC's custodian bank are credited directly to the appropriate fund, while the earnings and expenses on the commingled assets are allocated to each program's trust fund on the basis of each trust fund's value, relative to the total value of the commingled fund.

CASH AND CASH EQUIVALENTS

"Cash" includes cash on hand and demand deposits. "Cash equivalents" are investments with original maturities of one business day or highly liquid investments that are readily convertible into cash within one business day.

SECURITIES LENDING COLLATERAL

PBGC participates in a securities lending program administered by its custodian bank. The custodian bank requires collateral that equals 102 to 105 percent of the securities lent. The collateral is held by the custodian bank. The custodian bank either receives cash or non-cash as collateral or returns collateral to cover mark-to-market changes. Any cash collateral received is invested by PBGC's investment agent. In addition to the lending program managed by the custodian bank, some of PBGC's investment managers are authorized to invest in securities purchased under resale agreements (an agreement with a commitment by the seller to buy a security back from the purchaser at a specified price at a designated future date), and securities sold under repurchase agreements.

INVESTMENT VALUATION AND INCOME

PBGC bases market values on the last sale of a listed security, on the mean of the "bid-and-ask" for non-listed securities, or on a valuation model in the case of fixed income securities that are not actively traded. These valuations are determined as of the end of each fiscal year. Purchases and sales of securities are recorded on the trade date. In addition, PBGC invests in and discloses its derivative investments in accordance with the guidance contained in the FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*. Investment income is accrued as earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses on sales of investments are calculated using first-in, first-out for the revolving fund and weighted average cost for the trust fund. PBGC marks the plan's assets to market, and any increase or decrease in the market value of a plan's assets occurring after the date on which the plan is terminated must, by law, be credited to or suffered by PBGC.

SECURITIES PURCHASED UNDER REPURCHASE AGREEMENTS

PBGC's investment managers purchase securities under repurchase agreements, whereby the seller will buy the security back at a pre-agreed price and date. Those that mature in more than one day are reported under "Fixed maturity securities" as "Securities purchased under repurchase agreements" in the Note 3 table entitled "Investments of Single-Employer Revolving Funds and Single-Employer Trusteed Plans." Repurchase agreements that mature in one day are included in "Cash and cash equivalents," which are reported on the Statements of Financial Position. Refer to Note 3 for further information regarding repurchase agreements.

SPONSORS OF TERMINATED PLANS

The amounts due from sponsors of terminated plans or members of their controlled group represent the settled, but uncollected, claims for sponsors' employer liability (underfunding as of date of plan termination) and for contributions due their plan less an allowance for estimated uncollectible amounts. PBGC discounts any amounts expected to be received beyond one year for time and risk factors. Some agreements between PBGC and plan sponsors provide for contingent payments based on future profits of the sponsors. The Corporation reports any such future amounts in the period they are realizable. Income and expenses related to amounts due from sponsors are reported in the Underwriting section of the Statements of Operations. Interest earned on settled claims for sponsors' employer liability (EL) and due and unpaid employer contributions (DUEC) is reported as "Income: Other." The change in the allowances for uncollectible EL and DUEC is reported as "Expenses: Other."

PREMIUMS

Premiums receivable represents (1) the plan reported premiums owed, (2) PBGC estimated amounts on filings not yet due and (3) submitted and past due premiums deemed collectible, including penalties and interest. The liability for unearned premiums represents annual premium fees that have been received in advance of the period in which they will be earned by PBGC. They remain as liabilities until they are ratably earned over the period of time to which the premium applies. "Premium income, net" represents actual and estimated revenue generated from defined benefit pension plan premium filings as required by Title IV of ERISA less bad debt expense for premiums, interest, and penalties. For insolvent multiemployer plans, bad debt expense also includes a reserve for premium payments waived by PBGC and treated as financial assistance in accordance with ERISA Section 4007 (see Note 11).

CAPITALIZED ASSETS

Capitalized assets include furniture and fixtures, electronic processing equipment, and internal-use software. This includes costs for internally developed software incurred during the application development stage (system design including software configuration and software interface, coding, and testing). These costs are shown net of accumulated depreciation and amortization. See Note 16, Other Assets, for further details.

PRESENT VALUE OF FUTURE BENEFITS (PVFB)

The PVFB is the estimated liability for future pension benefits that PBGC is or will be obligated to pay the participants of trusteed plans and the net liability for plans pending termination and trusteeship. The PVFB liability (including trusteed plans and plans pending termination and trusteeship) is stated as the actuarial present value of estimated future benefits less the present value of estimated recoveries from sponsors and members of their controlled group and the assets of plans pending termination and trusteeship as of the date of the financial statements. PBGC also includes the estimated liabilities attributable to plans classified as probable terminations as a separate line item in the PVFB (net of estimated recoveries and plan assets). PBGC uses assumptions to adjust the value of those future payments to reflect the time value of money (by discounting) and the probability of payment (by means of decrements, such as for death or retirement). PBGC also includes anticipated expenses to settle the benefit obligation in the determination of the PVFB. PBGC's benefit payments to participants reduce the PVFB liability.

The values of the PVFB are particularly sensitive to changes in underlying estimates and assumptions. These estimates and assumptions could change and the impact of these changes may be material to PBGC's financial statements (see Note 6).

PVFB is reported as follows:

(1) Trusteed Plans: Represents the present value of future benefit payments less the present value of expected recoveries (for which a settlement agreement has not been reached with sponsors and members of their controlled group) for plans that have terminated and been trusteed by PBGC prior to fiscal year-end. Assets are shown separately from liabilities for trusteed plans. PBGC's liability under the expanded Missing Participants Program is included in this category. Under this program that began in FY 2018, most terminated defined contribution plans, small professional service pension plans, and multiemployer plans can now transfer the benefits of missing participants to PBGC. Previously, the program covered only insured single-employer defined benefit plans terminating in a standard termination.

(2) Pending Termination and Trusteeship: Represents the present value of future benefit payments less the plans' net assets (at fair value) anticipated to be received and the present value of expected recoveries (for which a settlement agreement has not been reached with sponsors and members of their controlled group) for plans for which termination action has been initiated and/or completed prior to fiscal year-end. Unlike trusteed plans, the liability for plans pending termination and trusteeship is shown net of plan assets.

(3) Settlements and Judgments: Represents estimated liabilities related to settled litigation (see Note 6).

(4) Net Claims for Probable Terminations: In accordance with the FASB Accounting Standards Codification Section 450, *Contingencies*, PBGC recognizes net claims for probable terminations which represent PBGC's

best estimate of the losses, net of plan assets, and the present value of expected recoveries (from sponsors and members of their controlled group) for plans that are likely to terminate in the future. Under a specific identification process, PBGC evaluates each controlled group having $50 million or more of underfunding and recognizes a contingent loss for the estimated net claim of those plans meeting the probable termination criteria. These estimated losses are based on conditions that existed as of PBGC's fiscal year-end. PBGC believes it is likely that one or more events subsequent to the fiscal year-end will occur, confirming the loss.

Criteria used for classifying a specific single-employer plan as a probable termination include, but are not limited to, one or more of the following conditions: the plan sponsor is in liquidation or comparable state insolvency proceeding with no known solvent controlled group member; the sponsor has filed or intends to file for distress plan termination and the criteria will likely be met; or PBGC is considering initiating plan termination. In addition, PBGC takes into account other economic events and factors in making judgments regarding the classification of a plan as a probable termination. These events and factors may include, but are not limited to, the following: the plan sponsor is in bankruptcy or has indicated that a bankruptcy filing is imminent; the plan sponsor has stated that plan termination is likely; the plan sponsor has received a going concern opinion from its independent auditors; or the plan sponsor is in default under existing credit agreement(s).

In addition, a reserve for small unidentified probable losses is recorded for the estimated future contingent losses stemming from insured single-employer plans with an aggregate underfunding of less than $50 million. The reserve is based on the historical three-year rolling average of losses related to actual plan terminations (with an aggregate underfunding of less than $50 million) and indexed to the S&P 500 to reflect changes in economic conditions. See Note 6 for further information on Net Claims for Probable Terminations.

PBGC identifies certain plan sponsors as high risk if the plan sponsor is in Chapter 11 proceedings or the sponsor's senior unsecured debt is rated CCC+/Caa1 or lower by S&P or Moody's, respectively. PBGC specifically reviews each plan sponsor identified as high risk and classifies pension plans as probable if, based on available evidence, PBGC concludes that plan termination is likely (based on criteria described in (4) above). Otherwise, high risk plan sponsors are classified as reasonably possible.

In accordance with the FASB Accounting Standards Codification Section 450, *Contingencies*, PBGC's exposure to losses from plans of companies that are classified as reasonably possible is disclosed in the footnotes. In order for a plan sponsor to be specifically classified as reasonably possible, it must first have $50 million or more of underfunding, as well as meet additional criteria. Criteria used for classifying a company as reasonably possible include, but are not limited to, one or more of the following conditions: the plan sponsor is in Chapter 11 reorganization; a funding waiver is pending or outstanding with the Internal Revenue Service (IRS); the sponsor missed a minimum funding contribution; the sponsor's bond rating is below investment-grade for Standard & Poor's (BB+) or Moody's (Ba1); or the sponsor has no bond rating but the Dun & Bradstreet Failure Score (formerly Financial Stress Score) is below the threshold considered to be investment grade (see Note 9).

PRESENT VALUE OF NONRECOVERABLE FUTURE FINANCIAL ASSISTANCE (PVNFFA)

In accordance with Title IV of ERISA, PBGC provides traditional financial assistance to multiemployer plans, in the form of loans, to enable the plans to pay guaranteed benefits to participants and reasonable administrative expenses of the plan. These loans, issued in exchange for interest-bearing promissory notes, constitute an obligation of each plan.

The present value of nonrecoverable future financial assistance represents the estimated nonrecoverable payments to be provided by PBGC in the future to multiemployer plans that will not be able to meet their benefit obligations. The present value of nonrecoverable future financial assistance is based on the difference between the present value of future guaranteed benefits and expenses and the market value of plan assets, including the present value of future amounts expected to be paid by employers, for those plans that are expected to require future assistance. The amount reflects the rates at which, in the opinion of PBGC, these liabilities (net of expenses) could be settled in the market for single-premium nonparticipating group annuities issued by private insurers (see Note 7).

A liability for a particular plan is included in the "Present Value of Nonrecoverable Future Financial Assistance" when it is determined that the plan is currently, or will likely become in the future, insolvent and will require assistance to pay the participants their guaranteed benefits. In accordance with the FASB Accounting Standards Codification Section 450, *Contingencies*, PBGC recognizes net claims for probable insolvencies for plans that are likely to become insolvent and may require future financial assistance. Projecting a future insolvency requires considering several complex factors, such as an estimate of future cash flows, future mortality rates, and age of participants not in pay status.

Each year, PBGC analyzes insured multiemployer plans to identify plans that are at risk of becoming probable and reasonably possible claims on the insurance program. Regulatory filings with PBGC, IRS, and DOL are important to this analysis and determination of risk, especially the designation of critical and declining status, which means the plan is projecting insolvency within 15-20 years. In general, if a terminated plan's assets are less than the present value of its liabilities, PBGC considers the plan a probable risk of requiring financial assistance in the future.

PBGC uses specific criteria for classifying multiemployer plans as insolvent (PBGC's insurable event for multiemployer plans), probable, and reasonably possible. The criteria are as follows:

- Any multiemployer plans currently receiving traditional financial assistance are classified as insolvent.
- Terminated, underfunded multiemployer plans (i.e., "wasting trusts") are classified as probable.
- Ongoing multiemployer plans projected to become insolvent:
    - Within 10 years are classified as probable.
    - From 10 to 20 years are classified as reasonably possible.

In general, the date of insolvency is estimated by projecting plan cash flows using actuarial assumptions. PBGC uses information provided by the plan actuary for assumptions such as termination of employment rates, retirement rates, average ages, the plan's schedule of future withdrawal liability payments owed, and contributions. PBGC uses assumptions set by PBGC for purposes of projecting returns on plan assets, future contributions, future withdrawal liability payments, expenses, mortality rates, and guaranteed benefits.

In addition, a bulk reserve method is employed to estimate future contingent losses for small multiemployer plans with fewer than 2,500 participants. Probable losses for plans are accrued, and reasonably possible losses are disclosed. This small plan bulk reserve uses an aggregate method to estimate liability and exposure, rather than reviewing each plan individually, based on the use of seven years of the present value of nonrecoverable future financial assistance for plan termination history to project the current probable liability. The small plan probables are calculated using a seven-year ratio of new plan terminations or insolvencies to the total unfunded liability in a given year. This ratio is applied to the current unfunded liability for small plans to calculate the probable liability.

MPRA provides that certain plans may apply to the U.S. Treasury to suspend benefits, and provides for a participant vote on the benefit suspension. These plans also may apply to PBGC for financial assistance, either for a facilitated merger or for a partition. Plans applying for a partition are also required to apply to U.S. Treasury for a suspension of benefits. These actions do not affect the determination of the nonrecoverable future financial assistance liability until U.S. Treasury has issued the final authorization to suspend benefits in the case of a benefit suspension application, or until PBGC has approved the application for financial assistance, in the case of a facilitated merger or a partition request.

The present value of nonrecoverable future financial assistance is presented in the Liability section of the Statements of Financial Position (see Note 7).

ADMINISTRATIVE EXPENSES

These operating expenses (for either the Single-Employer or Multiemployer Programs) are amounts paid and accrued for services rendered or while carrying out other activities that constitute PBGC's ongoing operations (e.g., payroll, contractual services, office space, materials, and supplies). An expense allocation methodology is used to fully capture the administrative expenses attributable to either the Single-Employer or Multiemployer Programs.

For the year-ending September 30, 2022, the Administrative Expense Reimbursement Ratio is determined to be the most representative methodology to allocate actual indirect administrative expenses, as well as to record the actual direct expenses attributable to the Single-Employer and Multiemployer Programs. The Administrative Expense Reimbursement Ratio calculates the ratios of direct administrative expenses for both the Single-Employer and Multiemployer Programs over the total direct administrative expenses. These ratios are then used to allocate the indirect administrative expenses for both the Single-Employer and Multiemployer Programs. This is PBGC's change in estimate based on the updated methodology for allocating administrative expenses. Prior to September 30, 2021, the Single-Employer and Multiemployer Ongoing Plans Expense Ratio was calculated to allocate administrative expenses between the Single-Employer Program and the Multiemployer Program.

OTHER EXPENSES

These expenses represent an estimate of the net amount of receivables deemed uncollectible during the period. The estimate is based on the most recent status of the debtor (e.g., sponsor), the age of the receivables and other factors that indicate to what degree the receivables outstanding may be uncollectible.

LOSSES FROM COMPLETED AND PROBABLE TERMINATIONS

Amounts reported as losses from completed and probable terminations represent the difference as of the actual or expected date of plan termination (DOPT) between the present value of future benefits (including amounts owed under Section 4022(c) of ERISA) assumed, or expected to be assumed, by PBGC, less related plan assets, and the present value of expected recoveries from sponsors and members of their controlled group (see Note 12). When a plan terminates, the previously recorded probable net claim is reversed and newly estimated DOPT plan assets, recoveries, and PVFB are netted and reported on the line "PVFB - Plans pending termination and trusteeship" (this value is usually different from the amount previously reported), with any change in the estimate recorded in the Statements of Operations. In addition, the plan's net income from DOPT to the beginning of PBGC's fiscal year is included as a component of losses from completed and probable terminations for plans with termination dates prior to the year in which they were added to PBGC's inventory of terminated plans.

ACTUARIAL ADJUSTMENTS AND CHARGES (CREDITS)

PBGC classifies actuarial adjustments related to insurance-based changes in method and the effect of experience as underwriting activity; actuarial adjustments are the result of the movement of plans from one valuation methodology to another, e.g., non-seriatim (calculating the liability for the group) to seriatim (calculating a separate liability for each person), and of new updated data (e.g., deaths, revised participant data). Actuarial charges (credits) are related to changes in interest factors, and expected interest is classified as financial activity. These adjustments and charges (credits) represent the change in the PVFB that results from applying actuarial assumptions in the calculation of future benefit liabilities (see Note 6).

DEPRECIATION AND AMORTIZATION

PBGC calculates depreciation on the straight-line basis over estimated useful lives of five years for equipment and ten years for furniture and fixtures. PBGC calculates amortization for capitalized software, which includes certain costs incurred for purchasing and developing software for internal use, on the straight-line basis over estimated useful lives not to exceed five years, commencing on the date that the Corporation determines that the internal-use software is implemented. Routine maintenance and leasehold improvements (the amounts of which are not material) are charged to operations as incurred. Capitalization of software cost occurs during the development stage, and costs incurred during the preliminary project and post-implementation stages are expensed as incurred. See Note 16, Other Assets, for further details.

SPECIAL FINANCIAL ASSISTANCE

ARP established a new SFA Program that provides that certain multiemployer plans may apply to PBGC to receive SFA funding. PBGC, in consultation with Treasury, may impose reasonable conditions on eligible plans receiving SFA, such as allocations of plan assets, withdrawal liability, and reductions in employer contribution rates. PBGC, however, is prohibited from imposing conditions related to prospective reductions in plan benefits, plan governance relating to the terms of contracts with trustees or plan vendors, and any funding rules related to plans receiving SFA. The SFA liability will be recorded when the following conditions are met: (1) the initial application for SFA has been received by PBGC, (2) the multiemployer plan applicant has been determined to be eligible, (3) the application has been deemed to be complete, and (4) the application has been approved. Upon approval of the application, SFA will be paid in a timely manner by PBGC. Unlike the traditional financial assistance loans PBGC provides to multiemployer plans, SFA will be in the form of a transfer (pass-through) of funds with no obligation to repay. No SFA transfers may be made after September 30, 2030.

PBGC applies specific contribution guidance in ASC 958-605, *Not-for-Profit Entities*, to recognize revenue from the U.S. Treasury General Fund appropriations related to the SFA Program. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. Conditional contributions received are classified as Contributed Transfer Appropriation. Once the barriers to entitlement are overcome, the contribution is recognized as unconditional and classified as Contributed Transfer Appropriation Income.

The SFA Program results in a new source of financing outside of PBGC's revolving fund. PBGC will receive appropriated SFA funds to disburse to multiemployer plans that meet certain criteria. Unlike traditional financial assistance which PBGC provides to multiemployer plans in the form of a loan, SFA will be provided via a transfer of funds (pass-through) with no obligation of repayment. At the end of each fiscal year, any unused (i.e., unobligated) appropriated SFA funds must be returned to the U.S. Treasury General Fund.

Since the SFA funding to eligible plans will likely enable the plans to pay benefits for the next 30 years, the vast majority of the traditional financial assistance liability recognized prior to FY 2021, for ongoing probable plans, has been reversed. This results in a change in the estimate to the allowance for the traditional financial assistance. PBGC reversed the allowance for insolvent multiemployer plans expected to be eligible to receive Special Financial Assistance (which reflects the expected plans' repayment of traditional financial assistance). See the MD&A Section IV, Multiemployer Program Results of Activities and Trends for the criteria to be eligible for SFA and Note 7, Multiemployer Financial Assistance for further details.

Given the significance of PBGC receiving appropriations from the U.S. Treasury General Fund for the first time, a revision to PBGC's financial statement presentation format was necessary. This includes the addition of new line items for the three financial statements, and renaming the "Statements of Operations and Changes to Net Position" to "Statements of Operations." Listed below by financial statement are the newly added financial line items:

Statements of Financial Position:

- **Restricted cash** – Appropriation (as authorized by ARP) from the U.S. Treasury General Fund for SFA to fund eligible multiemployer plans and PBGC's SFA administrative expenses (these funds cannot be invested nor used in any other aspects of PBGC's insurance programs).
- **Special financial assistance** – A liability account representing SFA to be provided to approved multiemployer plans.
- **Contributed transfer appropriation** – An equity account representing unused SFA appropriations.
- **Cumulative results of operations** – Represents PBGC's financial position that excludes the unused appropriations from the U.S. Treasury General Fund for SFA.

Statements of Operations:

- **Contributed transfer appropriation income** – Revenue is recognized from the SFA appropriations when all conditions and restrictions placed on the appropriated SFA funds are met.
- **Administrative Special Financial Assistance** – Administrative costs associated with administering ARP special financial assistance expenses (e.g., payroll, contractors).
- **Special Financial Assistance Expense** – SFA approved (pass-through) payments made to multiemployer plans (not subject to repayment).
- **Cumulative results of operations, beginning of year** – Represents PBGC's financial operations activity that excludes the unused appropriations from the U.S. Treasury General Fund for SFA at the beginning of the fiscal year. This replaces "Net position, beginning of year".
- **Cumulative results of operations, end of period** – Represents PBGC's financial operations activity that excludes the unused appropriations from the U.S. Treasury General Fund for SFA at the end of the period. This replaces "Net position, end of year".

Statements of Cash Flows:

- **Special Financial Assistance (restricted cash)** – Appropriation from the U.S. Treasury General Fund for SFA to fund eligible multiemployer plans and PBGC's SFA administrative expenses (these funds cannot be invested nor used in any other aspects of PBGC's insurance programs). The Statements of Cash Flows includes a Special Financial Assistance section.

NOTE 3: INVESTMENTS

Premium receipts are invested through the revolving fund in U.S. Treasury securities. The trust funds include assets that PBGC assumes or expects to assume with respect to terminated plans (e.g., recoveries from sponsors) and investment income thereon. These assets generally are held by custodian banks. The basis and market value of the investments by type are detailed below, as well as related investment profile data. The basis indicated is the cost of the asset if assumed after the date of plan termination or the market value at date of plan termination if the asset was assumed as a result of a plan's termination. PBGC marks the plan's assets to market, and any increase or decrease in the market value of a plan's assets occurring after the date on which the plan is terminated must, by law, be credited to or suffered by PBGC. Investment securities denominated in foreign currency are translated into U.S. dollars at the prevailing exchange rates at period ending September 30, 2022. Purchases and sales of investment securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of the transactions. The portfolio does not isolate that portion of the results of operations resulting from changes in foreign exchange rates of investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments. For PBGC's securities, unrealized holding gains and losses are both recognized by including them in earnings. Unrealized holding gains and losses measure the total change in fair value — consisting of unpaid interest income earned or unpaid accrued dividend and the remaining change in fair value from holding the security.

To Be Announced (TBA) and Bond Forward transactions are recorded as regular buys and sells of investments and not as derivatives. TBA is a contract for the purchase or sale of mortgage-backed securities to be delivered on a future date. The term TBA is derived from the fact that the actual mortgage-backed security that will be delivered to fulfill a TBA trade is not designated at the time the trade is made. The securities are to be announced 48 hours prior to the established trade settlement date. TBAs are issued by the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and Government National Mortgage Association (GNMA). In accordance with FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*, TBA and Bond Forward contracts are deemed regular way trades as they are completed within the time frame generally established by regulations and conventions in the marketplace or by the exchange on which they are executed. Thus, recording of TBA and Bond Forward contracts recognizes the acquisition or disposition of the securities at the full contract amounts on day one of the trade.

Bond Forwards are reported to "Receivables, net – Sale of securities", and "Due for purchases of securities"; TBAs are reported to "Receivables, net – Sale of securities", "Due for purchases of securities", and "Fixed maturity securities" from derivative contracts receivables and payables. As of September 30, 2022, TBA receivables were $1,474 million and no Bond Forward receivables were reported. In addition, as of September 30, 2022, TBA payables were $3,495 million and no Bond Forward payables were reported.

INVESTMENTS OF SINGLE-EMPLOYER REVOLVING FUNDS AND SINGLE-EMPLOYER TRUSTEED PLANS

(Dollars in millions)	**September 30, 2022** Basis	**September 30, 2022** Market Value	September 30, 2021 Basis	September 30, 2021 Market Value
Fixed maturity securities:				
U.S. Government securities	**$64,326**	**$54,831**	$63,397	$64,080
Commercial paper/securities purchased under repurchase agreements	**-**	**-**	0 *	0 *
Asset backed securities	**10,715**	**9,684**	8,697	8,746
Pooled funds				
Domestic	**3,000**	**2,246**	6,280	5,991
International	**-**	**-**	-	-
Global/other	**2**	**2**	0 *	0 *
Corporate bonds and other	**22,110**	**18,295**	22,921	24,446
International securities	**7,281**	**5,911**	7,774	7,942
Subtotal	**107,434**	**90,969**	109,069	111,205
Equity securities:				
Domestic	**91**	**105**	203	241
International	**3,056**	**2,632**	1,829	2,240
Pooled funds				
Domestic	**3,612**	**6,701**	3,268	7,768
International	**2,106**	**3,049**	2,844	5,485
Global/other	**22**	**22**	7	7
Subtotal	**8,887**	**12,509**	8,151	15,741
Private equity	**1,115**	**242**	1,166	320
Real estate and real estate investment trusts	**1,712**	**1,502**	1,967	2,153
Insurance contracts and other investments	**67**	**282**	108	200
Total[1]	**$119,215**	**$105,504** [2]	$120,461	$129,619

* Less than $500,000

[1] Total includes securities on loan at September 30, 2022, and September 30, 2021, with a market value of $5,195 million and $7,013 million, respectively.

[2] This total of $105,504 million of investments at market value represents the single-employer assets only.

INVESTMENTS OF MULTIEMPLOYER REVOLVING FUNDS AND MULTIEMPLOYER TRUSTEED PLANS

(Dollars in millions)	**September 30, 2022** Basis	**September 30, 2022** Market Value	September 30, 2021 Basis	September 30, 2021 Market Value
Investment securities:				
Fixed U.S. Government securities	**$2,696**	**$2,439**	$2,666	$2,688
Equity securities	**-**	**-**	-	-
Total	**$2,696**	**$2,439**	$2,666	$2,688

INVESTMENT PROFILE

	September 30, 2022	2021
Fixed Income Assets		
Average Quality	**AA**	AA
Average Maturity (years)	**10.7**	14.8
Duration (years)	**7.2**	9.3
Yield to Maturity (%)	**4.8**	2.1
Equity Assets		
Average Price/Earnings Ratio	**18.3**	22.2
Dividend Yield (%)	**2.8**	2.2
Beta	**1.0**	1.0

DERIVATIVE INSTRUMENTS

PBGC assigns investment discretion and grants specific authority to all of its investment managers to invest according to specific portfolio investment guidelines the Corporation has established. PBGC further limits the use of derivatives by investment managers through tailored provisions in the investment guidelines with investment managers consistent with PBGC's investment policy statement and overall risk tolerance. These investment managers, who act as fiduciaries to PBGC, determine when it may or may not be appropriate to utilize derivatives in the portfolio(s) for which they are responsible. Investments in derivatives carry many of the same risks of the underlying instruments and carry additional risks that are not associated with direct investments in the securities underlying the derivatives.

Risks may arise from the potential inability to terminate or sell derivative positions, although derivative instruments are generally more liquid than physical market instruments. A liquid secondary market may not always exist for certain derivative positions. Over-the-counter derivative instruments also involve counterparty risk that the other party to the derivative instrument will not meet its obligations.

The use of derivatives in the PBGC investment portfolio is also further restricted insofar as they may not be used to create leverage in the portfolio. Thus, derivatives are not permitted to be utilized to leverage the portfolio beyond the maximum risk level associated with a fully invested portfolio of physical securities.

Derivative instruments are used to mitigate risk (e.g., adjust duration or currency exposures), enhance investment returns, and/or as liquid and cost-efficient substitutes for positions in physical securities. These derivative instruments are not designated as accounting hedges consistent with FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*, which requires an active designation as a prerequisite for any hedge accounting. PBGC uses a no-hedging designation, which results in the gain or loss on a derivative instrument to be recognized currently in earnings. Derivatives are accounted for at fair value in accordance with the FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*. Derivatives are marked to market with changes in value reported as a component of financial income on the Statements of Operations. PBGC presents all derivatives at fair value on the Statements of Financial Position.

PBGC's investment managers invested in investment products that used various U.S. and non-U.S. derivative instruments. Those products included, but are not limited to: index futures; options; money market futures; government bond futures; interest rate, credit default, and total return swaps and swaption (an option on a swap) contracts; stock warrants and rights; debt option contracts; and foreign currency futures, forward, and option contracts. Some of these derivatives are traded on organized exchanges and thus bear minimal counterparty risk. The counterparties to PBGC's non-exchange-traded derivative contracts are major financial institutions subject to ISDA (International Swaps and Derivatives Association, Inc.) master agreements or IFEMAs (International Foreign Exchange Master Agreements) and minimum credit ratings required by investment guidelines. PBGC monitors PBGC's counterparty risk and exchanges collateral under most contracts to further support performance by counterparties. Required margin (collateral) for exchange traded and non-exchange traded centrally cleared derivatives is maintained by a clearinghouse to support the performance by counterparties, which are members of the clearinghouse, and collateral is exchanged directly with counterparties for non-exchange traded non-centrally cleared derivatives. A clearinghouse reduces the settlement risks by netting offsetting transactions between multiple counterparties by requiring higher levels of collateral deposits or margin requirements compared to bilateral arrangements. Settlement risks are also reduced by the clearinghouse providing independent valuation of trades and margin, monitoring the credit worthiness of the clearing firms, and providing a guarantee fund, which could be used to cover losses that exceed a defaulting clearing firm's margin on deposit.

A futures contract is an agreement between a buyer or seller and an established futures exchange clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date) in the future. The futures exchanges and clearinghouses clear, settle, and guarantee transactions occurring through their facilities. Upon entering into a futures contract, an "initial margin" amount (in cash or liquid securities) of generally 1 to 6 percent of the face value indicated in the futures contract is required to be deposited with the broker. Open futures positions are marked to market daily. Subsequent payments known as "variation margin" are made or received by the portfolio dependent upon the daily fluctuations in value of the underlying contract. PBGC maintains adequate liquidity in its portfolio to meet these margin calls.

PBGC also invests in forward contracts. A forward foreign currency contract is a commitment to purchase or sell a foreign currency at the settlement date (in the future) at a negotiated rate or to make settlement based on comparable economics, but without actually delivering the foreign currency. Foreign currency forward, futures, and option contracts may be used as a substitute for cash currency holdings. This is in order to minimize currency risk exposure to changes in foreign currency exchange rates and to adjust overall currency exposure to reflect the investment views of the fixed income and equity portfolio managers regarding relationships between currencies.

A swap is an agreement between two parties to exchange different financial returns on a notional investment amount. The major forms of swaps traded are interest rate swaps, credit default swaps, and total return swaps. These swaps are netted for reporting purposes. PBGC uses swap and swaption contracts to adjust exposure to interest rates, fixed income securities exposure, credit exposure, and equity exposure, and to generate income based on the investment views of the portfolio managers regarding interest rates, indices, and individual securities.

Interest rate swaps involve exchanges of fixed-rate and floating-rate interest. Interest rate swaps are often used to alter exposure to interest rate fluctuations by swapping fixed-rate obligations for floating-rate obligations, or vice versa. The counterparties to the swap agree to exchange interest payments on specific dates, according to a predetermined formula. The payment flows are usually netted against each other, with one party paying the difference to the other.

A credit default swap is a contract between a buyer and seller of protection against pre-defined credit events. PBGC may buy or sell credit default swap contracts to seek to increase the portfolio's income or to mitigate the risk of default on portfolio securities.

A total return swap is a contract between a buyer and seller of exposures to certain asset classes, such as equities. PBGC may buy or sell total return contracts to seek to increase or reduce the portfolio's exposure to certain asset classes.

An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option) or sell to (put option) the writer a designated instrument at a specified price within a specified period of time.

Stock warrants and rights allow PBGC to purchase securities at a stipulated price within a specified time limit.

For the fiscal years ended September 30, 2022 and 2021, gains and losses from settled margin calls are reported in "Investment income" on the Statements of Operations. Securities and cash are pledged as collateral for derivative contracts (e.g., futures and swaps) and are recorded as a receivable or payable.

FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*, requires the disclosure of fair values of derivative instruments and their gains and losses in its financial statements of both the derivative positions existing at period ending September 30, 2021 and the effect of using derivatives during the reporting period.

The following three key tables present PBGC's use of derivative instruments and its impact on PBGC's financial statements:

- Fair Values of Derivative Instruments – Identifies the location of derivative fair values on the Statements of Financial Position, as well as the notional amounts.
- Offsetting of Derivative Assets – Presents the impact of legally enforceable master netting agreements on derivative assets.
- Offsetting of Derivative Liabilities – Presents the impact of legally enforceable master netting agreements on derivative liabilities.

FAIR VALUES OF DERIVATIVE INSTRUMENTS

	Asset Derivative					
		September 30, 2022			September 30, 2021	
(Dollars in millions)	Statements of Financial Position Location	**Notional**	**FMV**	Statements of Financial Position Location	Notional	FMV
Futures	Derivative Contracts	**$6,976**	**$172**	Derivative Contracts	$19,164	$309
Swap contracts						
Interest rate swaps	Investments-Fixed	**2,005**	**115**	Investments-Fixed	1,860	14
Other derivative swaps	Investments-Fixed	**1,279**	**(1)**	Investments-Fixed	1,173	42
Option contracts	Investments-Fixed	**117**	**2**	Investments-Fixed	131	1
Forwards - foreign exchange	Investments-Fixed	**12,899**	**70**	Investments-Fixed	13,503	19
	Investments-Equity	**-**	**-**	Investments-Equity	-	-

	Liability Derivative					
		September 30, 2022			September 30, 2020	
(Dollars in millions)	Statements of Financial Position Location	**Notional**	**FMV**	Statements of Financial Position Location	Notional	FMV
Futures	Derivative Contracts	**$7,193**	**($210)**	Derivative Contracts	$18,351	($101)
Option contracts	Derivative Contracts	**9**	**(1)**	Derivative Contracts	95	(1)

Additional information specific to derivative instruments is disclosed in Note 4 – Derivative Contracts, and Note 5 – Fair Value Measurements.

PBGC uses a net presentation on the Statements of Financial Position for those derivative financial instruments entered into with counterparties under legally enforceable master netting agreements. Derivative receivables and derivative payables are netted on the Statements of Financial Position with the same counterparty and the related cash collateral receivables and payables when a legally enforceable master netting agreement exists (i.e., for over-the-counter derivatives). Master netting agreements are used to mitigate counterparty credit risk in certain transactions, including derivatives transactions, repurchase agreements and reverse repurchase agreements. The master netting agreement also may require the exchange of cash or marketable securities to collateralize either party's net position. Any cash collateral exchanged with counterparties under these master netting agreements is also netted against the applicable derivative fair values on the Statements of Financial Position.

OFFSETTING OF DERIVATIVE ASSETS FAIR VALUE

(Dollars in millions)	**September 30, 2022** Gross Amount of Recognized Assets	Gross Amounts Offset in Statements of Financial Position	Net Amounts of Assets Presented in Statements of Financial Position	September 30, 2021 Gross Amount of Recognized Assets	Gross Amounts Offset in Statements of Financial Position	Net Amounts of Assets Presented in Statements of Financial Position
Derivatives						
Interest-rate contracts	**$ 7**	**($7)**	**$ -**	$ 1	($1)	$ 0*
Foreign exchange contracts	**484**	**(380)**	**104**	136	(103)	33
Other derivative contracts[1]	**2**	**0***	**2**	3	(1)	2
Cash collateral nettings	**-**	**-**	**-**	-	12	12
Total Derivatives	**$493**	**($387)**	**$106**	$140	($93)	$47
Other financial instruments[2]						
Repurchase agreements	**660**	**-**	**660**	-	-	-
Securities lending collateral	**4,581**	**-**	**4,581**	6,145	-	6,145
Total derivatives and other financial instruments	**$5,734**	**($387)**	**$5,347**	$6,285	($93)	$6,192

(Dollars in millions)	**September 30, 2022 — Gross Amounts Not Offset in Statements of Financial Position**			September 30, 2021 — Gross Amounts Not Offset in Statements of Financial Position		
	Net Amount of Assets Presented in Statements of Financial Position	**Collateral Received**	**Net Amount**	Net Amount of Assets Presented in Statements of Financial Position	Collateral Received	Net Amount
Repurchase agreements	**$ 660**	**$ -**	**$ 660**	$ -	$ -	$ -
Security lending collateral	**4,581**	**(4,581)**	**-**	6,145	(6,145)	-
Total	**$5,241**	**($4,581)**	**$ 660**	$6,145	($6,145)	$ -

* Less than $500,000
[1] Other derivative contracts include total return swaps, currency swaps, and credit default swaps.
[2] Under subheading "Other financial instruments", repurchase agreements and securities lending collateral are presented on a gross basis within the table and on the Statements of Financial Position.

OFFSETTING OF DERIVATIVE LIABILITIES FAIR VALUE

(Dollars in millions)	September 30, 2022 Gross Amount of Recognized Liabilities	September 30, 2022 Gross Amounts Offset in Statements of Financial Position	September 30, 2022 Net Amounts of Assets Presented in Statements of Financial Position	September 30, 2021 Gross Amount of Recognized Liabilities	September 30, 2021 Gross Amounts Offset in Statements of Financial Position	September 30, 2021 Net Amounts of Assets Presented in Statements of Financial Position
Derivatives						
Interest-rate contracts	**$ 20**	**($7)**	**$ 13**	$ 1	($1)	$ 0*
Foreign exchange contracts	**415**	**(380)**	**35**	117	(103)	14
Other derivative contracts[1]	**1**	**0***	**1**	1	(1)	0*
Cash collateral nettings	**-**	**26**	**26**	-	-	-
Total Derivatives	**$436**	**($361)**	**$ 75**	$119	($105)	$14
Other financial instruments[2]						
Resale agreements	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -
Securities lending collateral	**4,581**	**-**	**4,581**	6,145	-	6,145
Total derivatives and other financial instruments	**$5,017**	**($361)**	**$4,656**	$6,264	($105)	$6,159

(Dollars in millions)	September 30, 2022 Gross Amounts Not Offset in Statements of Financial Position: Net Amount of Liabilities Presented in Statements of Financial Position	September 30, 2022 Collateral Received	September 30, 2022 Net Amount	September 30, 2021 Gross Amounts Not Offset in Statements of Financial Position: Net Amount of Liabilities Presented in Statements of Financial Position	September 30, 2021 Collateral Received	September 30, 2021 Net Amount
Resale agreements	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -
Security lending collateral	**4,581**	**(4,581)**	**-**	6,145	(6,145)	-
Total	**$4,581**	**($4,581)**	**$ -**	$6,145	($6,145)	$ -

* Less than $500,000

[1] Other derivative contracts include total return swaps, currency swaps, and credit default swaps.

[2] Under subheading "Other financial instruments", repurchase agreements and securities lending collateral are presented on a gross basis within the table and on the Statements of Financial Position.

The following table identifies the location of derivative gains and losses on the Statements of Operations as of September 30, 2022, and September 30, 2021.

EFFECT OF DERIVATIVE CONTRACTS ON THE STATEMENTS OF OPERATIONS

(Dollars in millions)	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives **Sept. 30, 2022**	 Sept. 30, 2021
Futures			
Contracts in a receivable position	Investment Income-Fixed	**$2,047**	($24)
Contracts in a receivable position	Investment Income-Equity	**-**	-
Contracts in a payable position	Investment Income-Fixed	**(1,761)**	(1,051)
Contracts in a payable position	Investment Income-Equity	**-**	-
Swap agreements			
Interest rate swaps	Investment Income-Fixed	**115**	22
Other derivative swaps	Investment Income-Fixed	**(45)**	(1)
Option contracts			
Options purchased (long)	Investment Income-Fixed	**(12)**	2
Options purchased (long)	Investment Income-Equity	**-**	-
Options written (sold short)	Investment Income-Fixed	**16**	(1)
Options written (sold short)	Investment Income-Equity	**0 ***	-
Forward contracts			
Forwards - foreign exchange	Investment Income-Fixed	**122**	42
	Investment Income-Equity	**0 ***	0 *

* Less than $500,000

Additional information specific to derivative instruments is disclosed in Note 4 - Derivative Contracts, and Note 5 - Fair Value Measurements.

SECURITIES LENDING

PBGC participates in a securities lending program administered by its custodian bank. The custodian bank requires initial collateral that equals 102 to 105 percent of the securities lent. The collateral is held by the custodian bank or its agent. The custodian bank either receives cash or non-cash as collateral or returns collateral to cover mark-to-market changes. Any cash collateral received is invested by PBGC's investment agent. In addition to the lending program managed by the custodian bank, some of PBGC's investment managers are authorized to invest in securities purchased under resale agreements (an agreement with a commitment by the seller to buy a security back from the purchaser at a specified price at a designated future date).

The average value of securities on loan through September 30, 2022, and through September 30, 2021, was $6,296 million and $6,952 million, respectively. The average value of lendable securities was $44,590 million through September 30, 2022, and $45,605 million through September 30, 2021. The ratio of the average value of securities on loan and the average value of lendable securities is the average utilization rate. This average utilization rate was 14 percent through September 30, 2022, and 15 percent through September 30, 2021.

The average value of U.S. Corporate Bonds and Equity securities on loan through September 30, 2022, was $2,373 million, as compared to $3,672 million through September 30, 2021. The average value of U.S. Corporate Bonds and Equity securities on loan is 38 percent of the $6,296 million average value of securities on loan through September 30, 2022, as compared to 53 percent of the $6,952 million average value of securities on loan through September 30, 2021. The average value of lendable U.S. Corporate Bonds and Equity securities was $26,168 million through September 30, 2022, or 59 percent of PBGC's overall average value of lendable securities; while the average value of lendable U.S. Corporate Bonds and Equity securities was $26,764 million through September 30, 2021, or 59 percent of PBGC's overall average value of lendable securities. The average utilization of U.S. Corporate Bonds and Equity securities was 9 percent through September 30, 2022, and 14 percent through September 30, 2021. U.S. Corporate Bonds and Equity securities utilization decreased due to a change in strategy to increase securities lending fees. The increased fees more than compensated for the slightly lower levels of utilization for U.S. Corporate Bonds and Equity securities that resulted and led to increased lending earnings.

The average value of U.S. Government securities on loan through September 30, 2022, was $3,855 million, as compared to $3,218 million through September 30, 2021. The average value of U.S. Government securities on loan was 61 percent of the $6,296 million average value of securities on loan through September 30, 2022, as compared to 46 percent of the $6,952 million average value of securities on loan through September 30, 2021. The average value of lendable U.S. Government securities through September 30, 2022, was $14,765 million, or 33 percent of PBGC's overall average value of lendable securities; whereas the average value of lendable U.S. Government securities through September 30, 2021, was $14,271 million, or 31 percent of PBGC's overall average value of lendable securities. The average utilization of U.S. Government securities was 26 percent through September 30, 2022, and 23 percent through September 30, 2021. Utilization of U.S. Government securities increased year over year because of a higher level of demand for U.S. Government Securities from borrowers. The following table presents utilization rates of investment securities in the custodian administered securities lending program.

UTILIZATION RATES IN THE SECURITIES LENDING PROGRAM

	Daily Utilization Rates at Sept. 30, 2022	Sept. 30, 2022 Average Utilization Rates	Sept. 30, 2021 Average Utilization Rates
U.S. Corporate Bond & Equity	7%	9%	14%
U.S. Government Securities	27%	26%	23%
Non-U.S. Corporate Bond & Equity	2%	3%	2%
Non-U.S. Fixed Income	0%*	0%*	0%*
Total PBGC Program	14%	14%	15%

*Less than 1%.

The amount of cash collateral received for securities on loan at September 30, 2022, and September 30, 2021, was $4,581 million and $6,145 million, respectively. These amounts are recorded as assets and are offset with a corresponding liability. For lending agreements collateralized by securities, no accompanying asset or liability is recorded, as PBGC does not sell or re-pledge the associated collateral. For those securities lending activities that PBGC directs through its custodian manager, the Corporation chooses to invest proceeds from securities lending in the PBGC Collateral Fund.

In addition to its custodian agent lending program, PBGC invests in commingled index funds that participate in securities lending. PBGC does not own the securities in a commingled fund but owns units in the fund. The index fund provider utilizes an affiliated lending agent that lends the securities in the fund and receives collateral in return. The lending agent monitors and manages the collateral levels as well as monitors the credit quality and operations of their lending counterparties. The lending agent performs this service on behalf of the many clients that are invested in the commingled funds that participate in securities lending. This collateral is not valued or recorded on PBGC's financial statements as PBGC only owns units in the commingled funds.

PBGC's earnings from its agency securities lending programs as of September 30, 2022, and September 30, 2021, was $14 million and $12 million, respectively. Also contributing to PBGC's securities lending income is its participation in the commingled index funds mentioned above. Net income from securities lending is included in "Investment income – Fixed" on the Statements of Operations.

PBGC does not have the right by contract or custom to sell or re-pledge non-cash collateral, and therefore it is not reported on the Statements of Financial Position. Non-cash collateral, which consists of highly rated debt instruments, has been unchanged year over year.

REPURCHASE AGREEMENTS

PBGC's repurchase agreements entitle and obligate the Corporation to repurchase or redeem the same or substantially the same securities that were previously transferred as collateralized securities. In addition, repurchase agreements require the Corporation to redeem the collateralized securities, before maturity at a fixed determinable price.

As of September 30, 2022, PBGC had $660 million of repurchase agreements. Repurchase agreements include maturities of one day which is reported as an asset and included in the "Cash and cash equivalents" balance. Those that mature in more than one day are reported under "Fixed maturity securities." There was no associated liability for these secured borrowings reported as "Securities sold under repurchase agreements." PBGC has no restrictions placed on the cash received for all its outstanding repurchase agreements as of September 30, 2022.

NOTE 4: DERIVATIVE CONTRACTS

PBGC's derivative financial instruments are recorded at fair value and are included on the Statements of Financial Position as investments and derivative contracts. Foreign exchange forwards are included in "Fixed maturity securities." Swaps are netted for the individual contracts and are also included in "Fixed maturity securities." Swaps listed in the tables below represent the receivables and payables in an open trade position. Contracts for Futures in the tables below represent margin variation receivables and payables. The amounts subject to credit risk related to derivative instruments are generally limited to the amounts, if any, by which the counterparty's obligations exceed PBGC's obligations with that counterparty. PBGC considers this risk remote and does not expect the settlement of these transactions to have a material effect in the Statements of Operations and Statements of Financial Position.

Amounts in the table below represent the derivative contracts in a receivable position at September 30, 2022. Collateral deposits of $362 million, which represent cash paid as collateral on certain derivative contracts, are shown below.

DERIVATIVE CONTRACTS

(Dollars in millions)	**September 30, 2022**	September 30, 2021
Receivables on derivatives:		
Collateral deposits	**$362** [1]	$191 [2]
Futures contracts	**172**	309
Interest rate swaps (open trade receivable)	**121**	25
Other derivative swaps (open trade receivable)	**0** *	84
Total	**$655**	$609

*Less than $500,000

[1] For FY 2022, where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits receivable are $362 million ($409 million gross collateral deposits receivable less $47 million due to a netting of collateral deposits receivable and payable).

[2] For FY 2021, where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits receivable are $191 million ($200 million gross collateral deposits receivable less $9 million due to a netting of collateral deposits receivable and payable).

Amounts in the Derivative Contracts table below represent derivative contracts in a payable position at September 30, 2022, which PBGC reflects as a liability. Collateral deposits of $312 million, which represent cash received as collateral on certain derivative contracts, are included.

DERIVATIVE CONTRACTS

(Dollars in millions)	**September 30, 2022**	September 30, 2021
Payables on derivatives:		
Collateral deposits	**$312** [1]	$347 [2]
Futures contracts	**210**	101
Interest rate swaps (open trade payable)	**118**	25
Other derivative swaps (open trade payable)	**0** *	84
Options fixed/equity – income	**1**	1
Total	**$641**	$558

*Less than $500,000

[1] For FY 2022, where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits payable are $312 million ($359 million gross collateral deposits payable less $47 million due to a netting of collateral deposits receivable and payable).

[2] For FY 2021, where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits payable are $347 million ($356 million gross collateral deposits payable less $9 million due to a netting of collateral deposits receivable and payable).

NOTE 5: FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification Section 820, *Fair Value Measurements and Disclosures*, provides a consistent definition of fair value and establishes a framework for measuring fair value in accordance with U.S. GAAP. It does not require the measurement of financial assets and liabilities at fair value. The standard is intended to increase consistency and comparability in, and disclosures about, fair value measurements by giving users better information about how extensively PBGC uses fair value to measure financial assets and liabilities, the inputs PBGC used to develop those measurements and the effect of the measurements, if any, on the financial condition, results of operations, liquidity, and capital.

Section 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an "exit price") in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants on the measurement date. When PBGC measures fair value for its financial assets and liabilities, PBGC considers the principal or most advantageous market in which the Corporation would transact. PBGC also considers assumptions that market participants would use when pricing the asset or liability. When possible, PBGC looks to active and observable markets to measure the fair value of identical, or similar, financial assets or liabilities. When identical financial assets and liabilities are not traded in active markets, PBGC looks to market observable data for similar assets and liabilities. In some instances, certain assets and liabilities are not actively traded in observable markets, and as a result PBGC uses alternative valuation techniques to measure their fair value.

In addition, Section 820 establishes a hierarchy for measuring fair value. That hierarchy is based on the observability of inputs to the valuation of a financial asset or liability as of the measurement date. The standard also requires the recognition of trading gains or losses related to certain derivative transactions whose fair value has been determined using unobservable market inputs.

PBGC believes that its valuation techniques and underlying assumptions used to measure fair value conform to the provisions of Section 820. PBGC has categorized the financial assets and liabilities that PBGC carries at fair value in the Statements of Financial Position based upon the standard's valuation hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to pricing methods with significant observable market inputs (Level 2), and the lowest priority to significant unobservable valuation inputs (Level 3). In addition, PBGC, for certain non-Level 1 Net Asset Value (NAV) investments, uses a "practical expedient" (i.e., priced without any adjustments). Non-Level 1 NAV investments that use the practical expedient are displayed in a NAV only category and are removed from their Level 2 or Level 3 category and added to the new exclusive NAV only category. The fair value table affected by this guidance is found in PBGC Financial Statements Note 5, Fair Value Measurements.

If the inputs used to measure a financial asset or liability cross different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. PBGC's assessment of the significance of a particular input to the overall fair value measurement of a financial asset or liability requires judgment, and considers factors specific to that asset or liability, as follows:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market. PBGC's Level 1 investments primarily include exchange-traded equity securities and certain U.S. Government securities.

Level 2 - Financial assets and liabilities whose values are based on quoted prices for similar assets and liabilities in active markets. PBGC also considers inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets. This includes cash equivalents, securities lending collateral, U.S. Government securities, asset backed securities, fixed foreign investments, corporate bonds, repurchase agreements, bond forwards, and swaps.
- Quoted prices for identical or similar assets or liabilities in non-active markets. This includes corporate stock, pooled funds fixed income, pooled funds equity, and foreign investments equity.
- Pricing models whose inputs are observable for substantially the full term of the asset or liability — included are insurance contracts and bank loans.
- Pricing models whose inputs are derived principally from or are corroborated by observable market information through correlation or other means for substantially the full term of the asset or liability.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable in the market and significant to the overall fair value measurement. These inputs reflect PBGC's judgment about the assumptions that a market participant would use in pricing the asset or liability and based on the best available information. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. PBGC includes instruments whose values are based on a single source such as a broker, pricing service, or dealer, which cannot be corroborated by recent market transactions. These include fixed maturity securities such as corporate bonds that are comprised of securities that are no longer traded on the active market and/or not managed by any asset manager. Equity securities such as corporate stocks are also included, comprised of securities that are no longer traded on the active market and/or not managed by any asset manager. Real estate funds that invest primarily in U.S. commercial real estate are valued based on each underlying investment within the fund/account; they incorporate valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information, including comparable transactions, and performance multiples, among other factors. The assets and liabilities that PBGC carries at fair value are summarized by the three levels required by Section 820 in the following table. The fair value of the asset or liability represents the "exit price" – the price that would be received to sell the asset or paid to transfer the liability.

FAIR VALUE MEASUREMENTS ON A RECURRING BASIS AS OF SEPTEMBER 30, 2022

(Dollars in millions)	Investment Measured at Net Asset Value (NAV)	Quoted Market Prices in Active Markets (Level 1)	Pricing Methods with Significant Observable Market Inputs (Level 2)	Pricing Methods with Significant Unobservable Market Inputs (Level 3)	Total Net Carrying Value in Statements of Financial Position
Assets					
Cash and cash equivalents	$ -	$ 125	$ 8,553	$ -	$ 8,678
Securities lending collateral[1]	-	-	4,581	-	4,581
Investments:					
Fixed maturity securities					
U.S. Government securities	-	-	57,270	-	
Commercial paper/securities purchased under repurchase agreements	-	-	-	-	
Asset backed/Mortgage backed securities	-	-	9,684	-	
Pooled funds[2]	-	14	-	0*	
Pooled funds fixed maturity at NAV[2,3]	2,234	-	-	-	
Corporate bonds and other	-	27	18,268	0*	
International securities	-	70	5,820	21	
Total Fixed Maturity Securities	2,234	111	91,042	21	93,408
Equity securities:					
Domestic	-	86	14	5	
International	-	2,632	0*	0*	
Pooled funds[2]	-	59	-	-	
Pooled funds equity securities NAV[2,3]	9,713	-	-	-	
Total Equity Securities	9,713	2,777	14	5	12,509
Private equity at NAV[3]	242	-	-	-	242
Real estate and real estate investment trusts	-	1,065	-	10	
Real estate and real estate investment trusts at NAV[3]	427	-	-	-	
Total Real Estate	427	1,065	-	10	1,502
Insurance contracts and other Investments	0*	-	-	282	282
Receivables: [4]					
Derivative contracts[5]	-	172	483	-	655
Liabilities					
Payables: [4]					
Derivative contracts[6]	-	211	430	-	641

* Less than $500,000.

1 For securities lending details, please refer to the Securities lending section in Note 3 – Investments.

2 Pooled funds fixed and Pooled funds equity consists of domestic, international and global/other.

3 Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have been excluded from fair value hierarchy. See Significant Accounting Policies – Note 2.

4 Where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits receivable are $362 million ($409 million gross collateral deposits receivable less $47 million due to a netting of collateral deposits receivable and payable). Collateral deposits payable are $312 million ($359 million gross collateral deposits payable less $47 million due to a netting of collateral deposits receivable and payable).

5 Derivative contracts receivables are comprised of open receivable trades on futures, swaps, and collateral deposits. See the Derivative Contracts table under Note 4.

6 Derivative contracts payables are comprised of open payable trades on futures, swaps, options, and collateral deposits. See the Derivative Contracts table under Note 4.

CHANGES IN LEVEL 3 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS FOR THE YEAR ENDED SEPTEMBER 30, 2022

(Dollars in millions)	Fair Value at September 30, 2021	Total Realized and Unrealized Gains (Losses) included in Income	Purchases	Sales	Transfers Into Level 3	Transfers Out of Level 3	Fair Value at September 30, 2022	Change in Unrealized Gains (Losses) Related to Financial Instruments held at September 30, 2022[1]
Assets:								
Fixed	$ 0*	34	-	(19)	$ 6	-	$21	$77
Pooled funds (fixed)	$ -	-	-	-	0*	-	$ 0*	$ -
Domestic/Int'l equity	$ 5	1	0*	(1)	0*	-	$ 5	$ 1
Private equity	$ -	-	-	-	-	-	$ -	$ -
Real estate & real estate investment trusts	$ 25	0*	0*	(15)	-	-	$10	($2)
Other	$200	123	0*	(41)	-	0*	$282	$123

* Less than $500,000.

1 Amounts included in this column solely represents changes in unrealized gains and losses and cannot be derived from other columns from this table.

Pursuant to FASB Accounting Standards Codification Section 820, *Fair Value Measurement, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*; additional disclosures for Investments priced at Net Asset Value are discussed below.

FAIR VALUE MEASUREMENTS OF INVESTMENTS THAT ARE MEASURED AT NET ASSET VALUE PER SHARE (OR ITS EQUIVALENT) AS A PRACTICAL EXPEDIENT FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Net Asset Value (in millions)	Unfunded Commitments [1,2]	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real estate (a)	$ 427	$ 19	n/a	n/a
Private equity (b)	242	64	n/a	n/a
Pooled funds (c)	11,947	-	n/a	n/a
Total	$12,616	$83		

[1] Unfunded amounts include recallable distributions. A substantial portion of the unfunded commitments is unlikely to be called.
[2] These amounts include unfunded commitments that are measured at Net Asset Value.

a. This class includes public and private real estate investments that invest primarily in U.S. commercial real estate and U.S. residential real estate. For the private real estate investments, the fair value of each individual investment in this class has been estimated using the net asset value of PBGC's ownership interest in partners' capital. Generally, these investments do not have redemption provisions. Distributions from each asset include periodic income payments and the proceeds from the sale of the underlying real estate assets. The underlying real estate assets can generally be held indefinitely from the inception date of the investment. There are no plans to sell PBGC's interest in private real estate fund investments in this class in the secondary market. The public real estate investment is an investment in a unit trust that is intended to match the return of a REIT index. Units reflect a pro-rata share of the fund's investments. The per unit net asset value is determined each business day based on the fair value of the fund's investments. Issuances and redemptions are possible at least monthly when a per unit value is determined and are based upon the closing per unit net asset value.

b. This class includes private market investments that invest primarily in U.S. buyout and U.S. venture capital funds. These investments do not generally have redemption provisions. Instead, investments in this class typically make distributions which result from liquidation of the underlying assets of the funds. These distributions can extend 10 years or more from the inception of each individual fund. The fair value of each individual investment has been estimated using the net asset value of PBGC's ownership interest in partners' capital.

c. This class includes investments in unit trusts that are intended to match or outperform the returns of domestic and international indices. Units reflect a pro-rata share of the fund's investments. The per unit net asset value is determined each business day based on the fair value of the fund's investments. Issuances and redemptions are possible at least monthly when a per unit value is determined and are based upon the closing per unit net asset value.

PBGC uses recent prices of group annuities to derive the interest factors used to calculate the present value of future benefit-payment obligations. PBGC determines the interest-factor set that, when combined with a specified mortality table, produces present values that approximate the prices private insurers would charge to annuitize the same benefit-payment obligations.

Based on this valuation and in accordance with the provisions of the FASB Accounting Standards Codification Section 820, *Fair Value Measurements and Disclosures*, the significant unobservable inputs for the liability is the interest factor risk for Level 3 fair value measurements. A change in interest factors has an impact to the calculation of PBGC's PVFB, and the impact will be reflected in the "Due to change in interest factors." The table below summarizes the hypothetical results of using a 100 basis point difference causing the PVFB liability to increase (decrease) with a corresponding decrease (increase) in the interest factors. Furthermore, any such hypothetical change in the PVFB liability would have a corresponding effect on "Due to change in interest factors" expense.

HYPOTHETICAL AND ACTUAL INTEREST FACTOR SENSITIVITY CALCULATIONS OF PVFB SINGLE-EMPLOYER TRUSTEED PLANS AND MULTIEMPLOYER PROGRAM[1]

September 30, 2022 *(Dollars in millions)*	**Sensitivity Factors Curve of One-Year Spot Rates (Interest Factors) - Varies Annually from 4.12% in year 1 for 30 years, 3.76% thereafter**	**Official Factors[2] Curve of One-Year Spot Rates (Interest Factors) - Varies Annually from 5.12% in year 1 for 30 years, 4.76% thereafter**	**Sensitivity Factors Curve of One-Year Spot Rates (Interest Factors) - Varies Annually from 6.12% in year 1 for 30 years, 5.76% thereafter**
Single-Employer Program[3]	$85,007	**$78,550**	$73,038
Multiemployer Program	2,630	**2,390**	2,188
Total	$87,637	**$80,940**	$75,226

[1] Level 3 Fair Value Measurements.
[2] Actual Spot Curve factors and PVFB amounts calculated for September 30, 2022, fiscal year-end financial statements.
[3] Gross PVFB liability for trusteed plans prior to the netting of recoveries.

NOTE 6: PRESENT VALUE OF FUTURE BENEFITS

The present value of future benefits (PVFB) is the estimated liability for future pension benefits that PBGC is or will be obligated to pay for trusteed plans and plans pending termination and trusteeship. For financial statement purposes, the net assets of plans pending termination and trusteeship (including estimated recoveries, assets, and miscellaneous liabilities) are included in the line item "Plans Pending Termination and Trusteeship." The estimated losses on probable future plan terminations are also included in the total PVFB liability. The PVFB liability is stated as the actuarial present value of estimated future benefit payments.

PBGC uses a curve of interest factors to determine the estimated actuarial present value of future benefit payments (as well as projected multiemployer nonrecoverable future financial assistance as discussed in Note 7). PBGC surveys insurance industry group annuity prices through the American Council of Life Insurers (ACLI) to obtain input needed to determine interest factors and then derives a 30-year curve of interest factors that together with the latest Society of Actuaries' (SOA) mortality table best matches the private sector average group annuity prices from the ACLI surveys.

The yield curve of interest factors is adjusted to best fit the average survey group annuity prices which include unobserved factors such as: actual insurer mortality tables and mortality improvement expectations, regulatory capital requirements, risk perspective, profit expectations, etc. Many factors including Federal

Reserve policy, changing expectations about longevity risk, and competitive market conditions may affect these rates.

The rates determined as the best fit for the price information from the two most recent ACLI surveys, as of June 30, 2022 and March 31, 2022, have been adjusted to the date of the financial statements using market interest rates. For this purpose, underlying market interest rates are based on a weighted average of corporate and treasury bond rates using rate information obtained from the Intercontinental Exchange (ICE) index data platform. Corporate bond rates are from the ICE AAA-A3 market-weighted corporate bond spot curve which is based primarily on single A bond rates. Treasury rates are from the ICE U.S. Government spot curve. In PBGC's opinion, the liability for future benefit payments, net of administrative expenses, could be settled in the market for single-premium nonparticipating group annuities issued by private insurers at September 30, 2022 using these developed rates.

To derive the curve of interest factors, PBGC used the latest Society of Actuaries' (SOA) mortality table (Pri-2012 blended table based on the Employee and Retiree mortality tables) and the MP-2021 mortality improvement scales. Effective December 31, 2021, the mortality improvement scales were changed from the MP-2020 scales to the MP-2021 scales. The latest SOA mortality table is PBGC's best estimate of the mortality assumption being used by insurance companies to determine group annuity premiums.

The table below shows a comparison of the September 30, 2022 and September 30, 2021 spot rate yield curves. Future payments are discounted by the single spot rate applicable for the future year in which the payment is made. For September 30, 2022, the spot rate yield curve starts with an interest factor of 5.12% in year 1 and changes as the future period for discounting gets longer until year 30 when the factor becomes 4.76% and is assumed to remain level thereafter. For September 30, 2021, the spot rate yield curve started with an interest factor of 0.44% in year 1 and changes as the future period for discounting gets longer until year 30 when the factor becomes 2.30% and is assumed to remain level thereafter.

CURVE OF SPOT RATES FOR SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021

Period (in Years)	09/30/2022	09/30/2021	Change		Period (in Years)	09/30/2022	09/30/2021	Change
1	5.12%	0.44%	4.68%		16	5.43%	2.42%	3.01%
2	5.28%	0.71%	4.57%		17	5.48%	2.44%	3.04%
3	5.44%	1.07%	4.37%		18	5.52%	2.46%	3.06%
4	5.48%	1.39%	4.09%		19	5.56%	2.47%	3.09%
5	5.47%	1.65%	3.82%		20	5.58%	2.49%	3.09%
6	5.43%	1.86%	3.57%		21	5.59%	2.49%	3.10%
7	5.37%	2.01%	3.36%		22	5.57%	2.50%	3.07%
8	5.32%	2.12%	3.20%		23	5.54%	2.49%	3.05%
8	5.28%	2.20%	3.08%		24	5.48%	2.48%	3.00%
10	5.26%	2.25%	3.01%		25	5.41%	2.46%	2.95%
11	5.26%	2.30%	2.96%		26	5.31%	2.44%	2.87%
12	5.27%	2.33%	2.94%		27	5.19%	2.41%	2.78%
13	5.30%	2.35%	2.95%		28	5.06%	2.38%	2.68%
14	5.33%	2.38%	2.95%		29	4.91%	2.34%	2.57%
15	5.38%	2.40%	2.98%		30	4.76%	2.30%	2.46%
					Longer Periods	4.76%	2.30%	2.46%

PBGC uses a fully generational mortality assumption, in combination with the spot rates above, to measure the PVFB. Based on the results of a 2022 study of PBGC's single-employer mortality experience, an updated mortality assumption was adopted for the September 30, 2022 and subsequent Financial Statements. The study used PBGC's single-employer experience from fiscal years ending 2017 through 2021. The Study recommended the use of Pri-2012 Total Dataset Mortality tables with adjustments. The resulting tables are projected generationally using the most currently available projection scale, which is Scale MP-2021 for the fiscal year 2022 valuations. There are no changes to this projection methodology because of this study. The mortality tables PBGC used to determine liabilities as of September 30, 2022 consisted of the Pri-2012 Total Dataset Combined Mortality Tables Healthy Male and Female with adjustments and projected generationally with the MP-2021 improvement scales. Effective December 31, 2021, the mortality improvement scales were changed from the MP-2020 scales to the MP-2021 scales.

Based on the results of a 2018 study of PBGC's case administration expenses, an updated expense assumption was adopted for the December 31, 2018 and subsequent Financial Statements. The expense reserve is 0.68% of the PVFB plus additional reserves for plans in which plan asset valuations, participant database audits, and actuarial valuations were not yet complete. In addition to the completion of these milestones, PBGC continues to base the reserve on plan size, number of participants, and time since trusteeship. The expense loading factor of 0.68% for ongoing benefit payments represents the estimate of expenses incurred from the ongoing payment of administrative expenses for participants receiving benefits. The expense factors are applied to current data to calculate expense liabilities for each financial statement close. For September 30, 2022 year-end, PBGC used the same expense reserve factors for administrative expenses.

PBGC has in place a policy that allows the Corporation to not decrease a final benefit determination that is overstated by $5 or less. The effect of this policy is carried through to the calculation of the PVFB liability.

The PVFB for trusteed plans for FY 2022 and FY 2021 reflect the payment of benefits and the changes in interest and mortality assumptions, expected interest, and the effect of experience. The resulting liability represents PBGC's best estimate of the measure of anticipated experience under these programs.

The table below summarizes the actuarial adjustments, charges, and credits that explain how the Corporation's Single-Employer Program liability for the PVFB changed for the fiscal year ended September 30, 2022, and for the fiscal year ended September 30, 2021.

RECONCILIATION OF THE PRESENT VALUE OF FUTURE BENEFITS FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	September 30,			
(Dollars in millions)	**2022**		2021	
Present value of future benefits, at beginning of year -- Single-Employer, net		**$108,929**		$120,430
Estimated recoveries, prior year		**150**		135
Assets of terminated plans pending trusteeship, net, prior year		**3,643**		1,237
Present value of future benefits at beginning of year, gross		**112,722**		121,802
Settlements and judgments, prior year		**(17)**		(17)
Net claims for probable terminations, prior year		**(254)**		(202)
Actuarial adjustments -- underwriting:				
Changes in method and assumptions	**(1,636)**		(3,859)	
Effect of experience	**299**		(80)	
Total actuarial adjustments -- underwriting	**(1,337)**		(3,939)	
Actuarial charges -- financial:				
Expected interest	**483**		762	
Change in interest factors	**(24,061)**		(5,282)	
Total actuarial charges -- financial	**(23,578)**		(4,520)	
Total actuarial charges, current year		**(24,915)**		(8,459)
Terminations:				
Current year	**600**		5,761	
Changes in prior year	**13**		6	
Total terminations		**613**		5,767
Benefit payments, current year[1]		**(7,042)**		(6,440)
Estimated recoveries, current year		**(128)**		(150)
Assets of terminated plans pending trusteeship, net, current year		**(2,885)**		(3,643)
Settlements and judgments, current year [2]		**17**		17
Net claims for probable terminations:				
Future benefits	**523**		347	
Estimated plan assets and recoveries from sponsors	**(302)**		(93)	
Total net claims, current year[3]		**221**		254
Present value of future benefits, at end of year -- Single-Employer, net		**78,332**		108,929
Present value of future benefits, at end of year -- Multiemployer		**0***		0*
Total present value of future benefits, at end of year, net		**$78,332**		$108,929

* Less than $500,000 (actual amount is $31,481 and $44,766 for the 10 Pre-MPPAA (Multiemployer Pension Plan Amendments Act) trusteed multiemployer plans at September 30, 2022, and September 30, 2021, respectively).

[1] The benefit payments of $7,042 million at September 30, 2022, and $6,440 million at September 30, 2021, include $158 million in FY 2022 and $139 million in FY 2021, respectively, for benefits paid from plan assets prior to trusteeship.

[2] PBGC determined it is highly unlikely that more than half of the total potential future Page/Collins settlement liability will be paid. Accordingly, PBGC estimates that PBGC's future Page/Collins settlement liability amount was $17 million at both September 30, 2022 and September 30, 2021.

[3] Net claims of future benefits for probable terminations of $221 million and $254 million at September 30, 2022, and September 30, 2021, include $3 million and $135 million, respectively, for specifically identified probable terminations, and $218 million and $119 million, respectively, for not specifically identified probables.

The following table details the assets that make up single-employer terminated plans pending termination and trusteeship:

ASSETS OF SINGLE-EMPLOYER PLANS PENDING TERMINATION AND TRUSTEESHIP, NET

	September 30, 2022		September 30, 2021	
(Dollars in millions)	**Basis**	**Market Value**	Basis	Market Value
U.S. Government securities	**$ -**	**$ -**	$ -	$ -
Corporate and other bonds	**1,839**	**1,833**	2,201	2,201
Equity securities	**1,311**	**1,307**	1,566	1,566
Private equity	**5**	**7**	-	-
Insurance contracts	**2**	**2**	3	3
Other	**(264)**	**(264)**	(127)	(127)
Total, net	**$2,893**	**$2,885**	$3,643	$3,643

NET CLAIMS FOR PROBABLE TERMINATIONS

Factors that at present are not fully determinable may be responsible for why these claim estimates differ from actual experience. Included in net claims for probable terminations is a provision for future benefit liabilities for plans not specifically identified. This reserve for small unidentified probable losses is recorded for the estimated future contingent losses stemming from insured single-employer plans with an aggregate underfunding of less than $50 million. The reserve is based on the historic three-year rolling average of actual plan terminations (with an aggregate underfunding of less than $50 million) and indexed to the S&P 500 to reflect changes in economic conditions. The September 30, 2022, Net Claims for Probable Terminations is $221 million, of which $3 million is from a specific identification process and $218 million is from the reserve for small unidentified probable losses.

The values recorded in the following reconciliation table have been adjusted to the expected dates of termination.

RECONCILIATION OF NET CLAIMS FOR PROBABLE TERMINATIONS

	September 30,			
(Dollars in millions)	**2022**		2021	
Net claims for probable terminations, at beginning of year		**$254**		$202
New claims	**3**		135	
Actual terminations	**(135)**		(103)	
Deleted probables	**-**		-	
Change in benefit liabilities	**99**		20	
Change in plan assets	**-**		-	
Loss (credit) on probables		**(33)**		52
Net claims for probable terminations, at end of year		**$221**		$254

The following table itemizes specifically identified single-employer probable exposure by industry:

PROBABLES EXPOSURE BY INDUSTRY (PRINCIPAL CATEGORIES)

(Dollars in millions)	**FY 2022**	FY 2021
Retail	**$ -**	$ -
Manufacturing	**3**	135
Forest Product	**-**	-
Total[1]	**$3**	$135

[1] Total excludes a small unidentified bulk reserve of $218 million and $119 million for September 30, 2022 and September 30, 2021, respectively.

For further detail regarding single-employer probables, see Note 2 under Present Value of Future Benefits (PVFB) subpoint (4) on pages 73-74.

The following table shows what has happened to plans classified as probable. This table does not include those plans that were classified as probable and then subsequently terminated within the same fiscal year.

ACTUAL PROBABLES EXPERIENCE

As Initially Recorded Beginning in 1987

(Dollars in millions)	Status of Probables from 1987-2021 at September 30, 2022			
Beginning in 1987, number of plans reported as Probable:	Number of Plans	Percent of Plans	Net Claim	Percent of Net Claim
Probables terminated	391	79%	$35,941	75%
Probables not yet terminated or deleted	-	0%	-	0%
Probables deleted	103	21%	12,032	25%
Total	494	100%	$47,973	100%

NOTE 7: MULTIEMPLOYER FINANCIAL ASSISTANCE

PBGC provides traditional financial assistance to multiemployer defined benefit pension plans in the form of loans (generally unsecured). Since these loans for non-SFA eligible plans are not generally repaid, an allowance is set up to the extent that repayment of these loans is not expected. Given the enactment of ARP, plans eligible to receive SFA funding, once approved, are required to repay the traditional financial assistance received (a plan obligation) and thus are reflected in PBGC's notes receivable net balance below.

NOTES RECEIVABLE MULTIEMPLOYER TRADITIONAL FINANCIAL ASSISTANCE

(Dollars in millions)	**September 30, 2022**	September 30, 2021
Gross balance at beginning of year	**$2,634**	$2,344
Financial assistance payments	**218**	221
Financial assistance - premiums waived	**3**	3
Write-offs related to settlement agreements	**0** *	(2)
SFA Repayments	**(213)**	-
Change in accrued interest on notes receivable	**84**	68
Subtotal	**2,726**	2,634
Allowance for uncollectible amounts	**(2,528)**	(2,302)
Net balance at end of year	**$198** [1]	$332

* Less than $500,000

[1] This receivable balance of $198 million (financial assistance plus interest that is expected to be returned to PBGC) represents the reduction to the allowance for uncollectible amounts relating to the insolvent plans that became eligible for Special Financial Assistance (SFA).

The Underwriting losses from financial assistance (insolvent plans) and probable financial assistance reflected in the Statements of Operations include period changes in the estimated present value of nonrecoverable future financial assistance. The financial expenses related to financial assistance are presented as actuarial charges, credits, and adjustments for plans that are known to be insolvent as of the valuation date and/or have begun or are about to begin receiving financial assistance. In addition, a change in the valuation of the liability due to new data received (e.g., new plan expenses, more recent valuation liabilities, and new withdrawal payment schedules) is included as financial assistance from insolvent and probable plans on the Statements of Operations. This valuation data change is a separate line item from actuarial adjustments and actuarial charges.

To determine the probable liability, ongoing plans are divided into segments based on the number of plan participants with different processes by plan size. The reserve for small ongoing plans (fewer than 2,500 participants) with probable losses not individually identified uses an aggregate method to estimate liability and exposure. Rather than reviewing each plan individually to identify probable losses, the reserve for small ongoing plans (fewer than 2,500 participants) uses an aggregate method to estimate liability and exposure based on the use of seven years of plan termination history to project the current probable liability. As of September 30, 2022, the reserve has been adjusted to reflect the Special Financial Assistance (SFA) Program enacted with ARP in March 2021.

For medium-sized plans (2,500 to 35,000 participants), risk-based rules are applied using a cash-flow model. For large plans (more than 35,000 participants), PBGC identifies ongoing high-risk plans and then calculates projected dates of insolvency for these plans to measure the probable liability.

On March 11, 2021, the American Rescue Plan (ARP) Act of 2021 was enacted into law. ARP established the Special Financial Assistance (SFA) Program for distressed multiemployer plans that meet specific criteria. The

SFA Program is to be administered by PBGC and is funded by general U.S. Treasury monies, not by PBGC's multiemployer insurance fund.

The amount of SFA funding to which an eligible plan is entitled is the amount the plan requires to pay all benefits and expenses, net of plan resources (including plan assets, projected future contributions, and withdrawal liability collections), through the plan year ending in 2051. The SFA payment also includes reinstatement of benefits previously suspended due to implementation of benefit suspensions under the Multiemployer Pension Reform Act of 2014 (MPRA) or benefits reduced to PBGC guaranteed benefit levels for insolvent plans.

PBGC must process all SFA applications within 120 days of receipt. Upon PBGC's approval of the plan's application, PBGC will pay the SFA funds to the plan with no requirement for repayment. To accurately reflect the impact of SFA eligibility on PBGC's accrued and contingent liability, multiemployer plans expected to be eligible and eventually approved for SFA are not considered high risk and will be classified as remote.

In FY 2021, the financial impact of the SFA Program was to reduce the category of ongoing plans to approximately a zero liability for individually identified high risk plans (the only exception being a small plan bulk reserve) on the Statements of Financial Position. This significantly reduced the liability for the multiemployer program, and as a result, 68 plans were removed in FY 2021 from the Multiemployer insolvent and probable inventory. In FY 2022, there was no traditional financial assistance liability removed from the Multiemployer insolvent and probable category due to the SFA Program.

Since the SFA funding to eligible plans will likely enable the plans to pay benefits for the next 30 years, the vast majority of the traditional financial assistance liability recognized in previous years, for ongoing probable plans, was reversed in FY 2021 (i.e., unbooked). The previous amount disclosed for reasonably possible plans has also been significantly decreased. These SFA eligible plans are no longer considered to be in the high-risk category as defined by either (1) projected insolvency over the next 20 years, (2) currently classified as critical and declining status, or (3) meeting the projected insolvency thresholds as defined in PBGC's procedures. Therefore, the end result is that these SFA eligible plans are classified as remote and not presented within PBGC's financial statements.

MPRA provides that certain plans may apply to the U.S. Department of the Treasury (Treasury) to suspend benefits, and provides for a participant vote on the benefit suspension. These plans also may apply to PBGC for financial assistance: either for a facilitated merger or a partition. Plans applying for a partition are also required to apply to Treasury for a suspension of benefits. These actions do not affect the determination of the nonrecoverable future financial assistance liability until approval has been granted and Treasury has issued the final authorization to suspend benefits. In the case of a benefit suspension application, the plan is no longer classified as probable once Treasury has issued the final authorization to suspend benefits. In the case of a partition application, the original plan is no longer classified as probable once PBGC has approved the application and Treasury has issued the final authorization to suspend benefits.

PBGC approved the merger of the Laborers International Union of North America 1000 Pension Fund (Local 1000 Plan) with the Laborers Local 235 Pension Fund (Local 235 Plan), PBGC's first facilitated merger under MPRA. In FY 2022, the last of three annual installments of $9 million was provided to the merged plan. The Local 1000 Plan, which was in critical and declining status, had been projected to become insolvent in 2026. The merger enabled Local 1000 Plan participants to postpone or avoid certain benefit reductions, while not harming the Local 235 Plan. The financial assistance is expected to reduce PBGC's long-term loss with respect to these plans.

As of September 30, 2022, the Corporation expects that 136 individually identified multiemployer plans have exhausted or will exhaust plan assets and need financial assistance from PBGC to pay guaranteed benefits and plan administrative expenses. The present value of nonrecoverable future financial assistance for these 136 plans is $2,390 million (inclusive of the reserve for small ongoing plan losses not individually identified). The 136 plans fall into three categories: (1) plans currently receiving financial assistance (whether terminated or not); (2) plans that have terminated but have not yet started receiving financial assistance from PBGC; and (3) ongoing plans (not terminated) that the Corporation expects will require financial assistance in the future. The latter two categories are comprised of multiemployer probables as defined by the following classification criteria:

- Probable insolvent plan-terminated future probables: Plans that have terminated but have not yet started receiving financial assistance may still have assets, but the combination of plan assets and collectible payments of withdrawal liability are projected to be insufficient to cover plan benefits plus expenses.
- Probable insolvent plan-ongoing future probables: Ongoing plans with a projected date of insolvency within 10 years. Small plans with fewer than 2,500 participants are excluded from the plan count for this category. The liability for small plans is based on an aggregate method to determine a small plan bulk reserve.

MULTIEMPLOYER TRADITIONAL FINANCIAL ASSISTANCE

	September 30, 2022		September 30, 2021	
(Dollars in millions)	**Number of Plans**	**Net Liability**	Number of Plans	Net Liability
Plans currently receiving financial assistance	**86** [1]	**$1,551**	77	$1,545
Plans that have terminated but have not yet started receiving financial assistance (classified as probable)	**48** [2]	**662**	57	1,301
Ongoing plans (not terminated) that the Corporation expects will require financial assistance in the future (classified as probable)	**2** [3]	**177** [4]	0	171 [4]
Total	**136**	**$2,390**	134	$3,017

[1] A total of nine plans were transferred from "Plans that have terminated but have not yet started receiving financial assistance (classified as probable)".
[2] A total of nine plans were transferred to "Plans currently receiving financial assistance".
[3] A total of two plans were added to "Ongoing plans".
[4] "Ongoing plans" include a small unidentified probable bulk reserve of $92 million and $171 million for September 30, 2022, and September 30, 2021, respectively.

Of the 136 plans:

a) 86 have exhausted plan assets and are currently receiving financial assistance payments from PBGC. The present value of future financial assistance payments for these insolvent 86 plans is $1,551 million.

b) 48 plans have terminated but have not yet started receiving financial assistance payments from PBGC. Terminated multiemployer plans no longer have employers making regular contributions for covered work, though some plans continue to receive withdrawal liability payments from withdrawn employers. In general, PBGC records a loss for future financial assistance for any underfunded multiemployer plan that has terminated. The present value of future financial assistance payments for these 48 terminated plans is $662 million.

c) Two plans are ongoing that the Corporation expects will require financial assistance in the future (classified as probable). The present value of future financial assistance payments for these two ongoing plans and the small unidentified probable bulk reserve is $177 million.

PRESENT VALUE OF NONRECOVERABLE FUTURE FINANCIAL ASSISTANCE AND LOSSES FROM TRADITIONAL FINANCIAL ASSISTANCE

(Dollars in millions)	**September 30, 2022**	September 30, 2021
Balance at beginning of year	**$3,017**	$66,865
Changes in allowance:		
Losses (credits) from insolvent and probable plans - financial assistance[1]	**(72)**	(63,736)
Actuarial adjustments	**(15)**	(143)
Actuarial charges (credits) - Insolvent plans:		
Due to expected interest	**10**	11
Due to change in interest factors	**(408)**	(46)
Financial assistance granted (previously accrued)	**(7)**	(220)
Change in allowance for plans that became eligible for SFA[2]	**(126)**	295
Financial assistance granted through MPRA merger[3]	**(9)**	(9)
Balance at end of period	**$2,390**	$3,017

[1]This $72 million credit consists of $268 million in credits due to change in interest factors which resulted from increases in market interest rates, $79 million decrease in the multiemployer small plan bulk reserve, and $42 million in credits due to change due to expected rates of return. This was offset by $151 million in charges from change due to actual investment rates of return, an increase of $103 million from the addition of two new multiemployer probable plans, and net charges of $63 million in recurring actuarial adjustments.
[2]This amount represents the traditional financial assistance that will be returned to PBGC due to the reduction to the allowance for uncollectible amounts relating to insolvent plans that became eligible for Special Financial Assistance (SFA).
[3]PBGC approved its first facilitated merger of two multiemployer plans under MPRA that resulted in an additional $9 million in financial assistance in FY 2022.

In the table above, actuarial charges are reported separately from "Losses (credits) from insolvent and probable plans-financial assistance." As a result, the table includes the following lines: Actuarial adjustments, Due to expected interest, and Due to change in interest factors. Insolvent plans are presented within these three actuarial charges (credits) lines. "Losses (credits) from insolvent and probable plans-financial assistance" include plans that terminated but have not yet received financial assistance, ongoing plans that PBGC expects will require financial assistance in the future, and those insolvent plans that have a change in liability due to new plan data included in the valuation. PBGC uses a curve of interest factors to determine the actuarial Multiemployer Nonrecoverable Future Financial Assistance. See Note 6 for the table of yield curves shown in spot rate format.

Pursuant to ARP, PBGC will provide SFA , which is intended to help an eligible plan to pay full benefits through 2051. Unlike the traditional financial assistance loans PBGC provides to multiemployer plans, SFA is in the form of a transfer of funds with no obligation of repayment. The SFA liability is recorded when the following conditions are met: (1) the initial application for SFA has been received by PBGC, (2) the multiemployer plan applicant has been determined to be eligible, (3) the application has been deemed to be complete, and (4) the application has been approved. The SFA liability will be presented as a separate line item on the Statements of Financial Position. The applicable portion of the existing multiemployer liability related to the PVNFFA has been reversed as of September 30, 2021, for the plans expected to be eligible for SFA.

Although the traditional financial assistance loans are not typically repaid, in order to receive the new Special Financial Assistance provided through ARP, eligible plans must repay their preexisting traditional financial assistance loans. Once collected into the PBGC revolving fund, these funds will not be available for obligation until subsequently apportioned.

NOTE 8: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table itemizes accounts payable and accrued expenses reported in the Statements of Financial Position:

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	Single-Employer Program		Multiemployer Program		Memorandom Total	
(Dollars in millions)	**Sept. 30, 2022**	Sept. 30, 2021	**Sept. 30, 2022**	Sept. 30, 2021	**Sept. 30, 2022**	Sept. 30, 2021
Payroll and annual leave	**$17**	$23	**$0 ***	$0 *	**$17**	$23
Accounts payable and accrued expenses	**61**	67	**5**	1	**66**	68
SFA – Payroll and annual leave	**n/a**	n/a	**0 ***	0 *	**0 ***	0 *
SFA – Accounts payable and accrued expenses	**n/a**	n/a	**1**	1	**1**	1
Total Accounts payable and accrued expenses	**$78**	$90	**$6**	$2	**$84**	$92

* Less than $500,000

NOTE 9: REASONABLY POSSIBLE CONTINGENCIES

SINGLE-EMPLOYER PLANS

Single-employer plans sponsored by companies whose credit quality is below investment grade pose a greater risk of being terminated than plans sponsored by companies with investment grade ratings. The estimated unfunded vested benefits exposure amounts disclosed represent PBGC's estimates of the reasonably possible exposure to loss given the inherent uncertainties about these plans.

In accordance with the FASB Accounting Standards Codification Section 450, *Contingencies*, PBGC classified a number of these companies that sponsor plans with total unfunded vested benefits of $50 million or more as reasonably possible rather than probable terminations, reflecting the sponsors' financial condition and other factors that did not indicate termination of their plans was likely. This classification was based upon information available about the companies as of September 30, 2022. PBGC's criteria for a single-employer plan sponsor to be classified as reasonably possible include one or more of the following:

a. The sponsor(s) or significant member(s) of its controlled group (e.g., a parent or major subsidiary) is in reorganization under Title 11 of the United States Code.

b. An application for a funding waiver is pending or outstanding with the IRS.

c. A minimum funding contribution has been missed.

d. The sponsor(s) or parent company has an S&P senior unsecured credit rating or an issuer credit rating of BB+ or below, or a Moody's senior unsecured credit rating, issuer credit rating, or corporate family rating of Ba1 or below. If the sponsor(s) or parent company does not have one of the ratings above, PBGC may use an industry specific rating such as an insurance financial strength rating, general obligation bond rating, or revenue bond rating.

e. The sponsor(s) or parent company has no credit rating, but has a Dun & Bradstreet Failure Score of below 1477.

f. The sponsor(s) or parent company has no credit rating, but analysis indicates that its unsecured debt would be below investment grade.

g. Other (detailed explanation must be provided and be approved by PBGC's Contingency Working Group).

A reserve for the small unidentified reasonably possible exposure (companies that sponsor plans with less than $50 million in unfunded vested benefits) is calculated using an aggregate method to estimate exposure, rather than reviewing each company individually.

The estimate of the reasonably possible exposure to loss for the single-employer plans of these companies was determined using a measurement date of December 31, 2021. The reasonably possible exposure to loss was $52,032 million for FY 2022. This is a decrease of $53,349 million from the reasonably possible exposure of $105,381 million in FY 2021. This decrease is primarily due to positive investment results on plan assets during calendar 2021 and the significant increase in the interest factors used for valuing liabilities as of the measurement date.

PBGC calculates the estimated unfunded vested benefit exposure to loss using the most recent data available from filings and submissions to the Corporation for plan years ended on or after December 31, 2020. The data used does not generally allow for PBGC-guaranteed benefit levels to be taken into account.

The table below shows a comparison of the December 31, 2021, and December 31, 2020, spot rate yield curves. Future payments are discounted by the single rate applicable for the future year in which the payment is expected to be made. For the December 31, 2021, measurement of reasonably possible exposure, the spot rate yield curve starts with an interest factor of 0.93% in year 1 and changes as the future period for discounting gets longer until year 30 and beyond when the factor becomes 2.35% and is assumed to remain level thereafter. For the December 31, 2020, measurement of RP exposure, the spot rate yield curve started with an interest factor of 0.91% in year 1 and the interest factor for year 30 and beyond was 2.08%.

CURVE OF SPOT RATES FOR DECEMBER 31, 2021 AND DECEMBER 31, 2020 MEASUREMENT OF SINGLE-EMPLOYER REASONABLY POSSIBLE EXPOSURE

Period (in Years)	12/31/2021	12/31/2020	Change		Period (in Years)	12/31/2021	12/31/2020	Change
1	0.93%	0.91%	0.02%		16	2.55%	2.14%	0.41%
2	1.30%	0.93%	0.37%		17	2.58%	2.14%	0.44%
3	1.66%	1.10%	0.56%		18	2.60%	2.15%	0.45%
4	1.92%	1.30%	0.62%		19	2.61%	2.15%	0.46%
5	2.09%	1.48%	0.61%		20	2.62%	2.15%	0.47%
6	2.20%	1.64%	0.56%		21	2.63%	2.15%	0.48%
7	2.27%	1.77%	0.50%		22	2.62%	2.14%	0.48%
8	2.32%	1.87%	0.45%		23	2.61%	2.14%	0.47%
9	2.35%	1.94%	0.41%		24	2.59%	2.13%	0.46%
10	2.38%	2.00%	0.38%		25	2.56%	2.12%	0.44%
11	2.41%	2.04%	0.37%		26	2.53%	2.11%	0.42%
12	2.44%	2.07%	0.37%		27	2.49%	2.10%	0.39%
13	2.46%	2.10%	0.36%		28	2.44%	2.09%	0.35%
14	2.49%	2.11%	0.38%		29	2.40%	2.08%	0.32%
15	2.52%	2.13%	0.39%		30	2.35%	2.08%	0.27%
					Longer Periods	2.35%	2.08%	0.27%

For the December 31, 2021 measurement of reasonably possible exposure, PBGC used the Pri-2012 Employee and Non-Disabled Annuitant mortality tables blended in accordance with 26 CFR § IRC 1.430(h)(3)-1(b)(2) and projected generationally with improvement scale MP-2021. In FY 2021, PBGC estimated the reasonably possible exposure as of December 31, 2020 using the same mortality tables and methodology projected generationally with improvement scale MP-2020.

The expense load defined in 29 CFR Part 4044, Appendix C was estimated and applied to the present value of vested benefits.

The interest factors used for the reasonably possible exposure are derived at a different point in time than the interest factors used for PBGC's Present Value of Future Benefits for trusteed plans recorded on the balance sheet and detailed in Note 6. Due to the amount of time required to develop the reasonably possible exposure, it is determined using a measurement date as of the prior December 31, rather than as of the fiscal year-end.

The underfunding associated with these plans could be substantially different at September 30, 2022, because of changes in economic conditions between December 31, 2021, and September 30, 2022. PBGC did not adjust the estimate for events that occurred between December 31, 2021, and September 30, 2022.

The following table itemizes the single-employer reasonably possible exposure by industry to loss:

REASONABLY POSSIBLE EXPOSURE TO LOSS BY INDUSTRY (PRINCIPAL CATEGORIES)

(Dollars in millions)	**FY 2022**	FY 2021
Manufacturing	**$11,448**	$26,300
Transportation, Communication and Utilities	**21,962**	37,248
Services	**10,845**	24,976
Wholesale and Retail Trade	**1,428**	4,222
Health Care	**3,123**	6,337
Finance, Insurance, and Real Estate	**807**	1,792
Agriculture, Mining, and Construction	**2,419**	4,506
Total	**$52,032**	$105,381

MULTIEMPLOYER PLANS

Multiemployer plans that have become insolvent will require financial assistance. PBGC included amounts in the liability for the present value of nonrecoverable future financial assistance (see Note 7) for multiemployer plans that have become insolvent and for plans that PBGC estimated may require future financial assistance.

In FY 2022, PBGC estimated that it is reasonably possible that other multiemployer plans may require future financial assistance in the amount of $2,218 million, a $1,889 million increase from the $329 million in FY 2021. The primary reason for the increase in exposure was due to the 12 plans classified as reasonably possible at September 30, 2022, while only three plans were classified as reasonably possible at September 30, 2021. The majority of the plans newly classified as reasonably possible are due to plan asset losses. Additionally, the reasonably possible aggregate reserve for small plans increased due to an increase in small plans from 23 to 55 projected to become insolvent within 20 years primarily due to plan asset losses. Reasonably possible multiemployer classification is defined as an ongoing plan with a projected insolvency date between 10 and 20 years from the valuation date.

PBGC calculated the future financial assistance liability for each multiemployer plan identified as probable (see Note 7), or reasonably possible. PBGC used a formula to calculate the present value of guaranteed future benefits and expense payments, net of any future contributions or withdrawal liability payments. These amounts were as of the later of September 30, 2022, or the projected (or actual, if known) date of plan insolvency, discounted back to September 30, 2022, utilizing the curve of spot rates presented in Note 6. PBGC's identification of plans that are likely to require such assistance and estimation of related amounts required consideration of many complex factors, including estimating future cash flows, future investment returns, future mortality rates, and retirement age of participants not in pay status. These factors are affected by future events, including actions by plans and their sponsors, most of which are beyond PBGC's control.

Both the probable liability and reasonably possible exposure are determined differently for different plan sizes (see Note 7).

The reasonably possible exposure for small plans is derived by subtracting the probable liability for small plans from the total exposure for high-risk small plans. For medium-sized plans (2,500 to 35,000 participants), risk-based rules are applied using a cash-flow model. For large plans (more than 35,000 participants), PBGC identifies ongoing high-risk plans and then calculates projected dates of insolvency for these plans to measure the reasonably possible exposure.

NOTE 10: COMMITMENTS

PBGC's lease commitments for its office and field benefit administrators' facilities total $161.5 million in future years. These leases provide for periodic rate increases based on increases in operating costs and real estate taxes over the base amount. On October 7, 2022, PBGC received its occupancy certificate for its new headquarters under a new 15-year leasing agreement (includes rent-free period for the first nine months). PBGC continues to work with GSA on preparing the building to be ready for PBGC staff to return to the office beginning sometime in the 2nd quarter of FY 2023. The minimum future lease payments for PBGC facilities having non-cancellable terms in excess of one year as of September 30, 2022, are as follows:

COMMITMENTS: FUTURE LEASE PAYMENTS

(Dollars in millions)	
Years Ending September 30,	Operating Leases
2023	$ 11.0
2024	11.3
2025	11.3
2026	11.3
2027	11.3
Thereafter	105.3
Minimum lease payments[1]	$ 161.5

[1] The minimum lease payments are comprised of the payments that the PBGC is obligated to make or can be required to make in connection with the leased property excluding executory costs such as operating expenses, insurance, and real estate.

In addition to the committed minimum operating lease payments of $161.5 million as noted in the table above, PBGC has estimated future uncommitted operating leases of $0.4 million.

Lease expenses were $12.9 million in FY 2022 and $15.7 million in FY 2021.

NOTE 11: PREMIUMS

For both the Single-Employer and Multiemployer Programs, ERISA provides that PBGC continues to guarantee basic benefits despite the failure of a plan administrator to pay premiums when due. PBGC assesses interest and penalties on the late or unpaid portion of premiums. Interest continues to accrue until the premium and the interest due are paid (see Note 2). Premiums for PBGC's premium revenue accounting policy. For plan years beginning in 2022, the per-participant flat rate premium was $88 for single-employer pension plans and $32 for multiemployer plans. For plan years 2021 and 2020, the per-participant flat rate premiums for single-employer pension plans were $86 and $83, respectively, and for multiemployer plans, $31 and $30, respectively.

Single-employer plans also owe a variable rate premium (VRP) tied to the amount of underfunding, if any. For plan years beginning in 2022, the VRP rate was $48 per $1,000 of unfunded vested benefits (UVB) subject to an overall cap of $598 per participant. For plan years 2021 and 2020, the VRP rates were $46 and $45, respectively. Applicable caps for those plan years are shown in the table below.

The termination premium applies to certain plan terminations occurring after 2005. If a single-employer pension plan terminates in a distress termination pursuant to ERISA section 4041(c)(2)(B)(ii) or (iii), or in a PBGC-initiated termination under ERISA section 4042, the plan sponsor and its controlled group are liable to PBGC for a termination premium at the rate of $1,250 per plan participant per year for three years.

The $4,925 million in net premium income for FY 2022 consisted of $2,762 million in variable rate premiums, $2,163 million in flat rate premiums, $22 million in termination premiums, and $1 million in interest and penalty income; offset by $23 million to bad debt expense. Bad debt expenses include a reserve for uncollectible premium receivables (including flat, variable, termination premiums, and insolvent multiemployer plans), interest, and penalties.

Net premium income for FY 2022 was $4,925 million, a year over year increase of $83 million due primarily to 1) increases due to higher rates for both flat and variable rate premiums; and 2) improved conditions of the plans' underfunding (i.e., lower Unfunded Vested Benefits), which was offset by the impact of amended filings pursuant to PBGC Technical Update 20-2 per the CARES Act, to revise the originally reported FY 2021 asset value resulting in lower variable rate premiums specifically for that fiscal year.

Net premium income for FY 2021 was $4,842 million and consisted of $2,628 million in variable rate premiums, $2,164 million in flat rate premiums, $26 million in termination premiums, a credit of $22 million to bad debt expense, and $2 million in interest and penalty income. Bad debt expenses include a reserve for uncollectible premium receivables (including flat, variable, termination premiums, and insolvent multiemployer plans), interest, and penalties.

The following table shows the premium rates for 2020 through 2022:

PREMIUM RATES FOR SINGLE-EMPLOYER AND MULTIEMPLOYER PLANS

	Single-Employer Plans			Multiemployer Plans
	Flat Rate Premium	Variable Rate Premium		
Plan Years Beginning in	Rate Per Participant	Rate per $1,000 Unfunded Vested Benefits	Per Participant Cap	Flat Rate Premium Rate Per Participant
2022	$88	$48	$598	$32
2021	$86	$46	$582	$31
2020	$83	$45	$561	$30

Premium income is accrued for months in which a plan year overlaps the fiscal year. Because of this rule, premiums for 2020, 2021, and 2022 plan years are accrued in FY 2022, and premium rates change each calendar year, so three sets of premium rates were used to calculate FY 2022 premium revenue.

For example, consider a plan with a September 1, 2021 to August 31, 2022 plan year. Only the first month of that plan year occurs during FY 2021, so 1/12 of the plan's premium was accrued in FY 2021 and 11/12 accrued in FY 2022. Similarly, for a plan with a December 1, 2020 to November 30, 2021 plan year, the last two months of that plan year occur during FY 2022, so 2/12 of the plan's premium income was accrued in FY 2022 and 10/12 was accrued in FY 2021.

The following table presents a year-to-year comparison of key premium receivable information.

Net Premiums Receivable

(Dollars in millions)	Single-Employer Program Sept. 30, 2022	Single-Employer Program Sept. 30, 2021	Multiemployer Program Sept. 30, 2022	Multiemployer Program Sept. 30, 2021	Memorandum Total Sept. 30, 2022	Memorandum Total Sept. 30, 2021
Premiums Not Yet Due:						
Estimated Flat-Rate Premiums	**$974**	$1,048	**$193**	$170	**$1,167**	$1,218
Estimated Variable-Rate Premiums	**1,614**	1,608	**-**	-	**1,614**	1,608
Total Net Premiums Not Yet Due	**2,588**	2,656	**193**	170	**2,781**	2,826
Premiums Past Due:						
Flat-Rate Premiums	**203**	140	**7**	27	**210**	167
Allowance for Bad Debt-Flat-Rate	**(2)**	(1)	**0 ***	0 *	**(2)**	(1)
Variable-Rate Premiums	**302**	131	**-**	-	**302**	131
Allowance for Bad Debt-Variable-Rate	**(3)**	(1)	**-**	-	**(3)**	(1)
Total Net Premiums Past Due	**500**	269	**7**	27	**507**	296
Termination Premiums:[1]						
Termination Premiums	**350**	329	**-**	-	**350**	329
Allowance for Bad Debt-Termination	**(283)**	(267)	**-**	-	**(283)**	(267)
	67	62	**-**	-	**67**	62
Interest and Penalty:						
Interest and Penalty Due	**2**	2	**0 ***	1	**2**	3
Allowance for Bad Debt-Int/Penalty	**(1)**	(1)	**0 ***	0 *	**(1)**	(1)
Total Net Interest and Penalty Due	**1**	1	**0 ***	1	**1**	2
Grand Total Net Premiums Receivable	**$3,156**	$2,988	**$200**	$198	**$3,356**	$3,186

* Less than $500,000

[1] All termination premiums are due from plan sponsors that are either in distress or under Chapter 11 reorganization. In these cases, PBGC files claims in accordance with bankruptcy law along with all other creditors and is entitled only to a pro-rata share of any remaining assets. Depending on the circumstances of the bankruptcy proceedings, it can be years before PBGC receives its pro-rata distribution from the bankruptcy estate. In most cases, PBGC ultimately receive either nothing or only a very small fraction of its total claims filed.

The following tables present a year-to-year comparison of key premium income information.

PREMIUM INCOME BY PREMIUM TYPE

(Dollars in millions)	**September 30, 2022**	September 30, 2021
Flat-Rate Premium:		
Single-Employer	**$1,821**	$1,829
Multiemployer	**342**	335
Total Flat-Rate Premium	**2,163**	2,164
Variable-Rate Premiums	**2,762**	2,628
Interest and Penalty Income	**1**	2
Termination Premium	**22**	26
Less Bad Debts for Premiums, Interest, and Penalties	**(23)**	22
Total Net Premiums	**$4,925**	$4,842

PREMIUM INCOME BY PROGRAM

(Dollars in millions)	**September 30, 2022**	September 30, 2021
Single-Employer:		
Flat-Rate and Variable-Rate Premiums	**$4,583**	$4,457
Interest and Penalty Income	**1**	2
Termination Premiums	**22**	26
Less Bad Debts for Premiums, Interest, and Penalties	**(20)**	26
Total Single-Employer	**4,586**	4,511
Multiemployer:		
Flat-Rate Premiums	**342**	335
Interest and Penalty Income	**0** *	0 *
Less Bad Debts for Premiums, Interest, and Penalties	**(3)**	(4)
Total Multiemployer	**339**	331
Total Net Premiums	**$4,925**	$4,842

* Less than $500,000

NOTE 12: LOSSES (CREDITS) FROM COMPLETED AND PROBABLE TERMINATIONS

Amounts reported as losses are the present value of future benefits less related plan assets and the present value of expected recoveries from sponsors. The following table details the components that make up the losses:

LOSSES (CREDITS) FROM COMPLETED AND PROBABLE TERMINATIONS – SINGLE-EMPLOYER PROGRAM

	For the Years Ended September 30,					
	2022			2021		
(Dollars in millions)	**New Terminations**	**Changes in Prior Years' Terminations[5]**	**Total**	New Terminations	Changes in Prior Years' Terminations[5]	Total
Present value of future benefits	**$600**	**$13**	**$613**	$5,752	$41	$5,793
Less plan assets	**318**	**37**	**355**	4,513	297	4,810
Plan asset insufficiency	**282[1]**	**(24)**	**258**	1,239	(256)	983
Less estimated recoveries	**-**	**(24)**	**(24)**	-	13	13
Subtotal	**282[2]**	**0**	**282**	1,239[2]	(269)	970
Settlements and judgments		**0*[6]**	**0*[6]**		0*[6]	0*[6]
Loss (credit) on probables	**(132)[3]**	**99[4]**	**(33)**	32[3]	20[4]	52
Total	**$150**	**$99**	**$249**	$1,271	($249)	$1,022

* Less than $500,000

[1] Includes Missing Participant activity; if excluded the Present value of future benefits for New Terminations would be $540 million, Plan assets $258 million and Plan asset insufficiency $282 million.
[2] Net claim for plans terminated during the fiscal year (32 plans at September 30, 2022 and 42 plans at September 30, 2021), including plans previously recorded as probables which have since terminated.
[3] Includes net claims for plans that are currently classified as probable, plans that were previously recorded as probable that have since terminated and plans that were deleted.
[4] Changes to the single-employer small plan unidentified probables bulk reserve.
[5] Changes in prior years' terminations result from revaluations of DOPT assets (e.g., as identified in the plan asset reconciliation process), changes in plan recoveries at DOPT (e.g., from an estimated recovery amount to an expected recovery amount), and changes in DOPT PVFB (e.g., new liability data) for plans with termination dates prior to the current fiscal year in which they were added to PBGC's inventory of terminated plans.
[6] PBGC determined that it is highly unlikely more than half of the total potential future Page/Collins settlement liability will be paid. Accordingly, PBGC estimates that PBGC's future Page/Collins settlement liability is $17 million for both September 30, 2022 and September 30, 2021, respectively.

NOTE 13: FINANCIAL INCOME

The following table details the Memorandum Total financial income by type of investment for both the Single-Employer and Multiemployer Programs:

INVESTMENT INCOME SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS

(Dollars in millions)	**Single-Employer Program Sept. 30, 2022**	**Multiemployer Program Sept. 30, 2022**	**Memorandum Total Sept. 30, 2022**	Single-Employer Program Sept. 30, 2021	Multiemployer Program Sept. 30, 2021	Memorandum Total Sept. 30, 2021
Fixed maturity securities:						
Interest earned	**$2,629**	**$30**	**$2,659**	$2,413	$30	$2,443
Realized gain (loss)	**(2,460)**	**-**	**(2,460)**	(863)	12	(851)
Unrealized gain (loss)	**(19,474)**	**(278)**	**(19,752)**	(5,440)	(89)	(5,529)
Total fixed maturity securities	**(19,305)**	**(248)**	**(19,553)**	(3,890)	(47)	(3,937)
Equity securities:						
Dividends earned	**104**	**-**	**104**	102	-	102
Realized gain (loss)	**449**	**-**	**449**	6,788	-	6,788
Unrealized gain (loss)	**(4,208)**	**-**	**(4,208)**	(61)	-	(61)
Total equity securities	**(3,655)**	**-**	**(3,655)**	6,829	-	6,829
Private equity:						
Distributions earned	**1**	**-**	**1**	2	-	2
Realized gain (loss)	**30**	**-**	**30**	120	-	120
Unrealized gain (loss)	**(25)**	**-**	**(25)**	26	-	26
Total private equity	**6**	**-**	**6**	148	-	148
Real estate:						
Distributions earned	**49**	**-**	**49**	53	-	53
Realized gain (loss)	**119**	**-**	**119**	592	-	592
Unrealized gain (loss)	**(397)**	**-**	**(397)**	228	-	228
Total real estate	**(229)**	**-**	**(229)**	873	-	873
Other income:						
Distributions earned	**25**	**-**	**25**	0 *	-	0 *
Realized gain (loss)	**3**	**-**	**3**	7	-	7
Unrealized gain (loss)	**123**	**-**	**123**	91	-	91
Total other income	**151**	**-**	**151**	98	-	98
Total investment income	**($23,032)**	**($248)**	**($23,280)**	$4,058	($47)	$4,011

*Less than $500,000

NOTE 14: EMPLOYEE BENEFIT PLANS

All of PBGC's permanent full-time and part-time employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Full-time and part-time employees with less than five years of service under CSRS and hired after December 31, 1983, are automatically covered by both Social Security and FERS. Employees hired before January 1, 1984, participate in CSRS unless they elected and qualified to transfer to FERS. Employees hired during the 2013 calendar year or rehired with less than five years of civilian service that is potentially creditable under FERS participate in FERS-Revised Annuity Employees (FERS-RAE). These employees are still generally considered part of the same pension system but are uniquely identified in human resources and payroll systems to annotate their higher contribution rate. Additionally, under the Bipartisan Budget Act of 2013, a new category of FERS employees was created: FERS-Further Revised Annuity Employees or FERS-FRAE. This pension system is again generally the same, only the contribution rate is changed. As with FERS-RAE employees, human resources and payroll systems use unique identifiers to annotate this higher contribution rate.

Total retirement plan expenses amounted to $34 million in FY 2022 and $32 million in FY 2021. These financial statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to PBGC's employees. These amounts are reported by the U.S. Office of Personnel Management (OPM) and are not allocated to the individual employers. OPM accounts for federal health and life insurance programs for those eligible retired PBGC employees who had selected federal government-sponsored plans. PBGC does not offer other supplemental health and life insurance benefits to its employees.

NOTE 15: CASH FLOWS

The following table consists of detailed cash flows from the sales and purchases of investments. Sales and purchases of investments are driven by the magnitude and investment composition of newly trusteed plans, the unique investment strategies implemented by PBGC's investment managers, and the varying capital market conditions in which they invest during the year. These cash flow numbers can vary significantly from year to year based on the fluctuation in these three variables.

INVESTING ACTIVITIES (SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS MEMORANDUM TOTAL)

	September 30,	
(Dollars in millions)	**2022**	2021
Proceeds from sales of investments:		
Fixed maturity securities	**$130,494**	$167,434
Equity securities	**4,320**	19,592
Other/uncategorized	**12,649**	10,487
Memorandum total	**$147,463**	$197,513
Payments for purchases of investments:		
Fixed maturity securities	**($132,627)**	($173,958)
Equity securities	**(3,669)**	(14,349)
Other/uncategorized	**(11,871)**	(8,419)
Memorandum total	**($148,167)**	($196,726)

The following is a reconciliation between the net income as reported in the Statements of Operations and net cash provided by operating activities as reported in the Statements of Cash Flows.

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Single-Employer Program		Multiemployer Program		Memorandum Total	
	September 30,		September 30,		September 30,	
(Dollars in millions)	**2022**	2021	**2022**	2021	**2022**	2021
Net income (loss)	**$5,637**	$15,459	**$577**	$64,227	**$6,214**	$79,686
Adjustments to reconcile net income to net cash provided by operating activities:						
Net (appreciation) decline in fair value of investments	**25,265**	(1,177)	**251**	73	**25,516**	(1,104)
Net (gain) loss of plans pending termination and trusteeship	**576**	(285)	**-**	-	**576**	(285)
Losses (credits) on completed and probable terminations	**249**	1,022	**-**	-	**249**	1,022
Actuarial charges (credits)	**(24,916)**	(8,460)	**-**	-	**(24,916)**	(8,460)
Benefit payments - trusteed plans	**(6,884)**	(6,301)	**-**	-	**(6,884)**	(6,301)
Settlements and judgments	**-**	-	**-**	-	**-**	-
Cash received from plans upon trusteeship	**36**	65	**-**	-	**36**	65
Receipts from sponsors/non-sponsors	**83**	35	**-**	-	**83**	35
Receipts for missing participants and other	**94**	200	**-**	-	**94**	200
EL/DUEC Trusteeship interest (non-cash)	**(20)**	(18)	**-**	-	**(20)**	(18)
Cash receipts timing from Trust to Revolving	**-**	-	**-**	-	**-**	-
Amortization of discounts/premiums	**197**	286	**2**	2	**199**	288
Amortization and Depreciation expense	**11**	7	**-**	-	**11**	7
Bad debt expense/Write-offs (net)	**20**	8	**-**	-	**20**	8
Changes in assets and liabilities, net of effects of trusteed and pending plans:						
(Increase) decrease in receivables	**(181)**	595	**132**	(337)	**(49)**	258
Increase in present value of nonrecoverable future financial assistance	**-**	-	**(627)**	(63,848)	**(627)**	(63,848)
Increase (decrease) in unearned premiums	**15**	58	**(4)**	7	**11**	65
Increase (decrease) in accounts payable	**(12)**	23	**4**	(21)	**(8)**	2
Net cash provided (used) by operating activities	**$170**	$1,517	**$335**	$103	**$505**	$1,620

NOTE 16: OTHER ASSETS

Capitalized Assets

The following tables display the details of Property and Equipment (Capitalized assets, net). The "Capitalized assets, net" line item on the Statements of Financial Position consists of the following components.

PROPERTY AND EQUIPMENT, NET

FY 2022	September 30, 2022 Single-Employer			September 30, 2022 Multiemployer			September 30, 2022 Memorandum Total		
(Dollars in millions)	Cost	Accumulated Depreciation/ Amortization	Net	Cost	Accumulated Depreciation/ Amortization	Net	Cost	Accumulated Depreciation/ Amortization	Net
Furniture and Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Mechanical Equipment	-	-	-	-	-	-	-	-	-
ADP Equipment	6	(4)	2	0 *	0 *	0 *	6	(4)	2
Internal Use Software - In Development	13	n/a	13	0 *	n/a	0 *	13	n/a	13
Internal Use Software	172	(144)	28	3	(2)	1	175	(146)	29
Total	$191	($148)	$43	$3	($2)	$1	$194	($150)	$44

FY 2021	September 30, 2021 Single-Employer			September 30, 2021 Multiemployer			September 30, 2021 Memorandum Total		
(Dollars in millions)	Cost	Accumulated Depreciation/ Amortization	Net	Cost	Accumulated Depreciation/ Amortization	Net	Cost	Accumulated Depreciation/ Amortization	Net
Furniture and Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Mechanical Equipment	-	-	-	-	-	-	-	-	-
ADP Equipment	9	(7)	2	0 *	0	0 *	9	(7)	2
Internal Use Software - In Development	11	n/a	11	0 *	n/a	0 *	11	n/a	11
Internal Use Software	158	(135)	23	3	(2)	1	161	(137)	24
Total	$178	($142)	$36	$3	($2)	$1	$181	($144)	$37

* Less than $500,000

Combined depreciation and amortization expense was $11 million for FY 2022, and $8 million for FY 2021. The Memorandum Total for "Capitalized assets, net" on the Statements of Financial Position consist of the components above.

COMBINED (MEMORANDUM TOTAL) PROPERTY AND EQUIPMENT, NET

(Dollars in millions)	September 30, 2022		2021	
Combined property and equipment, net at beginning of year		$37		$20
Capitalized Acquisitions	29		28	
Dispositions	(16)		(5)	
Depreciation/Amortization	(6)		(6)	
Net change of property and equipment		7		17
Combined property and equipment, net at end of year		$44		$37

Receivables From Sponsors of Terminated Plans

The following table displays the detail of Receivables, net from sponsors of terminated plans that represents the amounts due from the plan sponsor and its controlled group for the statutory minimum funding contributions owed to the plan, Due and Unpaid Employer Contributions (DUEC), and unfunded benefit liabilities of the plan, Sponsors' Employer Liability (EL). These notes and other receivables for DUEC and EL result from the execution of an approved settlement agreement with the plan sponsors and controlled group, final court order resolving PBGC claims, a confirmed plan of reorganization that sets forth the treatment of PBGC claims, or other circumstances in which significant uncertainties regarding the value of PBGC claims have been removed.

The effective interest rate varies with each settlement agreement. The interest rate for discounting the future payments to the settlement date is a risk-adjusted rate.

RECEIVABLES FROM SPONSORS OF TERMINATED PLANS

(Dollars in millions)	Sept. 30 2022	Sept. 30 2021
Sponsors' Employer Liability	**$19**	**$40**
Due and Unpaid Employer Contributions	**2**	**4**
Total	**$21**	**$44**

Other Receivables

Other receivables of $206 million consists primarily of $167 million of previously paid financial assistance and $31 million of interest, which is expected to be repaid from SFA eligible plans.

NOTE 17: LITIGATION

Legal challenges to PBGC's policies and positions continued in FY 2022. At the end of the fiscal year, PBGC had seven active cases in state and federal courts and 135 bankruptcy and state receivership cases.

PBGC records as a liability on its financial statements an estimated cost for unresolved litigation to the extent that losses in such cases are probable and estimable in amount. PBGC cannot state with certainty the losses it could incur in the event it does not prevail in these matters.

NOTE 18: MULTIEMPLOYER SPECIAL FINANCIAL ASSISTANCE (SFA) CONTRIBUTED TRANSFER APPROPRIATION

On March 11, 2021, under the American Rescue Plan (ARP) Act of 2021, PBGC received an indefinite appropriation and receives annual transfers from the U.S. Treasury's General Fund to be applied for Special Financial Assistance (SFA) and SFA administration costs. The funds transferred to PBGC in the SFA appropriation are deemed a contribution from the U.S. Government to PBGC. As there are conditions that must be met before PBGC can utilize these funds, the funds are initially recorded as Contributed Transfer Appropriation (equity). Revenue is recognized from the SFA appropriations when all conditions and restrictions placed on the appropriated SFA funds are met. Once the SFA application is approved, the contribution is classified as Contributed Transfer Appropriation Income. The separate payment of SFA from PBGC to a multiemployer plan is not viewed as a PBGC contribution to the multiemployer plan, but as a SFA payment consistent with requirements of ARP and related PBGC regulations. PBGC's position is that nothing is being exchanged given that coverage under our insurance programs are not predicated upon the payment of insurance premiums. In addition, PBGC acts as a pass-through entity to pay SFA benefits to the plans.

The following table shows a summary of the appropriation's pass-through transfers received and the use of the funds as shown in the Contributed Transfer Appropriation account.

MULTIEMPLOYER CONTRIBUTED TRANSFER APPROPRIATION

(Dollars in millions)	**September 30, 2022**	September 30, 2021
Balance at beginning of year	**$3**	$ -
Special financial assistance (SFA) - transfers received	**48,389**	-
Special financial assistance approved	**(7,555)**	-
SFA administrative expense - transfers received	**28**	12
SFA administrative expense	**(11)**	(1)
SFA unused funds returned to U.S.Treasury	**(40,848)**	(8)
Balance at end of period	**$6**	$3

Unused SFA funds at fiscal year-end are to be returned to the U.S. Treasury's General Fund.

NOTE 19: SUBSEQUENT EVENTS

PBGC evaluated subsequent events through publication on November 15, 2022, the date the financial statements were available to be issued. Events or transactions for either the Single-Employer or Multiemployer Program, occurring after September 30, 2022, and before the financial statements were available to be issued, that provided additional evidence about conditions that existed at September 30, 2022, have been recognized in the financial statements.

Single-Employer Program

For the fiscal year ended September 30, 2022, there were no non-recognized subsequent events to report on the Single-Employer Program that provided evidence about conditions that did not exist on September 30, 2022, and which arose before the financial statements were available to be issued.

Multiemployer Program

For the fiscal year ended September 30, 2022, there were three non-recognized subsequent events or transactions for the Multiemployer Program related to the SFA Program that provided additional evidence about conditions that did not exist on September 30, 2022, and which arose before the financial statements were available to be issued. Relating to the SFA Program, there were three multiemployer plans that were approved to receive SFA funds subsequent to September 30, 2022, up through the time financial statements were available to be issued. At the same time SFA expenses/liabilities are recognized, there is an offsetting increase in SFA income and a decrease in equity from the appropriated funds from Treasury; (i.e., Contributed Transfer Appropriation). These three approved SFA applications totaled approximately $256 million. In summary, this would have no financial impact on the Multiemployer net position.

In addition, two of the three SFA approved applications referenced above were paid prior to the annual report issuance date. These payments totaled $222 million.

PAYMENT INTEGRITY INFORMATION ACT REPORTING

INTRODUCTION

OMB Circular A-123, Appendix C, Requirements for Payment Integrity Improvement and related improper payment statutes1 require federal agencies to conduct improper payment risk assessments. In compliance with Executive Order 13520, the PBGC Director serves as the agency official accountable for improper payment reporting purposes.

OMB's current implementation guidance specifies that in performing a Phase 1 risk assessment of improper payments, agencies must institute a systematic method of reviewing all programs or payment streams and identifying those that may be susceptible to significant risk of improper payments.

PBGC performs risk assessments of its payment streams using a rotational strategy based on a three-year cycle. PBGC's payment streams include the following: 1) benefit payments to participants in "final pay" status for plans trusteed by PBGC under Title IV of ERISA (Benefit Payments); 2) payments to contractors for goods and services, including government credit card transactions (Payments to Contractors); 3) payments made to federal employees, including payroll and travel reimbursements (Payments to Federal Employees); 4) financial assistance payments to insolvent multiemployer plans that are unable to pay benefits when due under the requirements of Title IV of ERISA (Multiemployer Financial Assistance Payments); 5) refunds of previously paid premiums (Premium Refunds); and 6) multiemployer special financial assistance payments for distressed multiemployer plans that meet specific criteria under ARP (Multiemployer Special Financial Assistance Payments)2. None of PBGC's payment streams, required to be assessed, have been previously determined to be susceptible to significant risk of improper payments as defined by statute or OMB guidance.

RESULTS OF THE FY 2022 IMPROPER PAYMENT RISK ASSESSMENT

In FY 2022, PBGC performed a risk assessment of two payment streams in accordance with our three-year rotation strategy. The two payment streams reviewed for FY 2022 were Payments to Contractors and Multiemployer Financial Assistance Payments. In performing the risk assessments, PBGC considered factors specified in statute and further defined in OMB guidance, including the complexity of the payment stream; the volume of payments; recent major changes in program funding, authorities, practices, or procedures; the level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate; whether the program is new to the agency; whether payments or payment eligibility decisions are made outside of PBGC; significant deficiencies in the audit reports issued by the PBGC Office of Inspector General (OIG) and the Government Accountability Office (GAO); similarities to other programs that have reported improper payments (IP) and unknown payments (UP) estimates; the accuracy and reliability of IP and UP estimates previously reported for the program; whether the program lacks information or data systems to confirm eligibility; and the risk of fraud as assessed

[1] This references the Payment Integrity Information Act of 2019 (PIIA), which repealed and replaced the Improper Payments Information Act of 2002 (IPIA), the Improper Payments Elimination and Recovery Act of 2010 (IPERA), and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).

[2] Initial multiemployer special financial assistance payments began in FY 2022. In accordance with OMB guidance for newly established programs, an IP risk assessment should be completed after the first 12 months of the program. Accordingly, an IP risk assessment will be conducted in FY 2023 for this payment stream.

by the agency under the Standards for Internal Control in the Federal Government published by the Government Accountability Office.

To be considered susceptible to significant risk of improper payments, OMB guidance specifies that annual improper payments within a payment stream would have to exceed (1) both 1.5 percent of program outlays and $10,000,000 of payments made during the reporting period or (2) $100,000,000 (regardless of the improper payment percentage of total program outlays). Based on the results of the Phase 1 risk assessments, PBGC determined that the Payments to Contractors and Financial Assistance Payments payment stream were not susceptible to significant risk of improper payments as defined by the law and OMB implementation guidance.

PREVENTING AND DETECTING IMPROPER PAYMENTS

In addition to its periodic improper payment testing and in support of the Administration's Do Not Pay Initiative (DNP), PBGC employs a variety of means to prevent and detect improper payments on an ongoing basis:

- For all of its payment streams, PBGC has established controls to help ensure that payments are accurate and approved. For instance, pre-payment checks include ensuring that documentation for the payment is available for review by the approving official. On a post-payment basis, payment reconciliations are performed to help ensure completeness of payment processing and to identify errors. In addition, payments are subject to periodic compliance reviews.
- PBGC regularly performs electronic data analysis of payment transactions associated with Benefit Payments and Payments to Contractors – the two largest payment streams. This process helps to identify potential duplicate payments, other overpayments, and payment anomalies. When warranted, selected payments are subjected to additional research and analysis.
- For Benefit Payments, PBGC checks its participant database against the Social Security Administration's full Death Master File (DMF) available to Federal agencies paying government benefits, to help prevent sending payments to deceased individuals that should no longer be receiving benefits.
- As a result of using the DMF, PBGC was able to stop 21,041 payments in FY 2022 totaling $9 million. Additionally, PBGC was successful in reclaiming $11.9 million of cumulative overpayments and recovering another $2.0 million of cumulative overpayments in FY 2022.

PBGC participates in the U.S. Department of the Treasury's DNP program. For example, under the Payments to Contractors stream, payments are screened on a post-payment basis to assess whether companies are receiving payments for work performed under PBGC contracts. Prior to payment, PBGC verifies that contractors are properly registered in the General Service Administration's System for Award Management (SAM), have not been debarred or suspended from contracting in the federal sector, and do not have federal debts that have been referred to the Department of the Treasury for collection. For FY 2022, PBGC did not identify any improper payments using the DNP process for the Payment to Contractors payment stream.

RECAPTURING IMPROPER PAYMENTS

Potential improper payments are subjected to further analysis based on the amount of the payment, the nature of the potential error, and other risk factors to determine whether amounts are due to PBGC. For Benefit Payments, PBGC has established procedures to recapture overpayments through electronic reclamation and debt collection agreements. PBGC forwards most of its benefit overpayment debts to the Centralized Receivables Service (CRS) of the Treasury Department to serve as its debt collection agent. CRS has the capability to enter into installment repayment agreements and offsets against other federal benefits. In some cases, recapture of payments may not be sought based on demonstration that a participant is experiencing financial hardship or other reasons. Other PBGC payment streams also have procedures in place to collect overpayments.

When it is suspected that PBGC payments were issued, misdirected, or obtained in a fraudulent manner, PBGC works closely with PBGC's Office of Inspector General (OIG). The OIG performs investigations of suspect transactions and, when appropriate, refers matters to the Department of Justice to determine whether there is a sufficient basis to initiate a civil or criminal prosecution. The OIG regularly reports its work on its website, https://oig.pbgc.gov, and in its Semiannual Reports to Congress, which are posted there.

2022 ACTUARIAL VALUATION

PBGC calculated and validated the present value of future PBGC-payable benefits (PVFB) for both the Single-Employer and Multiemployer Programs and of nonrecoverable future financial assistance (NRFFA) under the Multiemployer Program. Generally, we used the same methods and procedures as in 2021 for the Single-Employer and Multiemployer Programs.

PRESENT VALUE OF FUTURE BENEFITS AND NONRECOVERABLE FINANCIAL ASSISTANCE – 2022

	Number of Plans	Number of Participants (in thousands)	Liability (in millions)
I. SINGLE-EMPLOYER PROGRAM			
A. Terminated Plans			
1. Seriatim at fiscal year-end (FYE)	4,895	1,153	$66,571
2. Seriatim at DOPT, adjusted to FYE	45	46	1,425
3. Non seriatim[1]	160	232	12,833
4. Missing Participants Program (seriatim)[2]	-	40	295
Subtotal	5,100	1,471	$81,124
B. Probable terminations (non seriatim)[3]	1	1	$523
Total[4]	5,101	1,472	$81,647
II. MULTIEMPLOYER PROGRAM			
A. Pre-MPPAA terminations (seriatim)	10	0*	$0
B. Pre-MPPAA liability (net of plan assets)			
1. Currently Receiving Assistance	86	81	1,551
2. Probable for Assistance	50	63	839
Total[5]	146	144	$2,390

* Fewer than 500 participants

Notes:

1) The liability for terminated plans has been increased by $17 million for settlements.

2) The Missing Participants Program refers to a liability that PBGC assumed for unlocated participants in standard plan terminations.

3) The net claims for the probable plans reported in the financial statements include $218 million for not yet identified probable terminations. The assets for probable plans, including the expected value of recoveries on sponsors' employer liability and due and unpaid employer contributions claims, are $302 million. Thus, the net claims for probables as reported in the financial statements are $523 less $302 million, or $221 million.

4) The PVFB in the financial statements ($78,332 million) is net of estimated plan assets and recoveries on probables ($302 million), estimated recoveries on terminated plans ($128 million), and estimated assets of plans pending trusteeship ($2,885 million), or $81,647 million less $302 million less $128 million less $2,885 million equals $78,332 million.

5) The ARP of 2021 established Section 4262 of ERISA under which Special Financial Assistance (SFA) is provided to eligible multiemployer plans. Eligible plans can apply to PBGC for SFA sufficient to maintain solvency through the 2051 plan year and will not be required to repay the SFA. PBGC considered the impact of the ARP on the multiemployer inventory in decisions related to potential assumption updates resulting from the recent studies. PBGC results only reflect plans that were not eligible for SFA as of 9/30/2022.

Single-Employer Program

PBGC calculated the Single-Employer Program's liability for benefits in the terminated plans and probable terminations, as defined in Note 2 to the financial statements, using a combination of two methods: seriatim and non seriatim. For 4,895 plans, representing about 96 percent of the total number of single-employer terminated plans (78 percent of the total estimated number of participants in single-employer terminated plans), PBGC had sufficiently accurate data to calculate the liability separately for each participant's benefit (seriatim method). This was an increase of 211 plans over the 4,684 plans valued seriatim last year. For 45 plans whose data were not yet fully automated, PBGC calculated the benefits and liability seriatim as of the date of plan termination (DOPT) and brought the total amounts forward to the end of fiscal year 2022 on a non seriatim basis.

For 160 other terminated plans, PBGC did not have sufficiently accurate or complete data to value individual benefits. Instead, the Corporation used a "non seriatim" method that brought the plan liabilities from the plan's most recent actuarial valuation forward to the end of fiscal year 2022 using certain assumptions and adjustment factors.

For September 30, 2022, the spot rate yield curve starts with an interest factor of 5.12% in year 1 and changes as the future period for discounting gets longer until year 30 when the factor becomes 4.76% and is assumed to remain level thereafter. For September 30, 2021, the spot rate yield curve started with an interest factor of 0.44% in year 1 and the interest factor for year 30 and beyond was 2.30%. Based on the results of a 2022 study of PBGC's Single-Employer Program mortality experience, an updated mortality assumption was adopted for the 9/30/2022 and subsequent Financial Statements. The Single-Employer Program mortality tables used for valuing healthy lives were the Pri-2012 Male and Female Total Dataset Combined tables, with adjustment projected generationally with Male and Female Scales MP-2021. In fiscal year 2021, the mortality tables used for valuing healthy lives were the adjusted RP-2014 Healthy Male and Female Tables, with blended healthy annuitant and employee tables before age 50 each projected generationally using Scale MP-2020.

For non-pay-status participants, PBGC used expected retirement ages, as explained in subpart B of the Allocation of Assets in Single-Employer Plans regulation. PBGC assumed that participants who had attained their expected retirement age were in pay status. In seriatim plans, for participants who were older than age 65, were not in pay status, and were unlocated at the valuation date, PBGC reduced the value of their future benefits to zero over the three years succeeding age 65 to reflect the lower likelihood of payment. Similarly, for located participants over age 70 and not in pay status, PBGC reduced the value of their future benefits to zero. For deferred participants who were older than age 70 in the Missing Participant Program, PBGC reduced the value of their future benefits to zero over the ten years succeeding age 70 to reflect the lower likelihood of payment.

Multiemployer Program

PBGC calculated the liability for the 10 pre-MPPAA terminations using the same assumptions and methods applied to the Single-Employer Program.

PBGC based its valuation of the post-MPPAA liability for nonrecoverable future financial assistance on the most recent available actuarial reports, Form 5500 Schedule B or Schedule MB, as applicable, and information provided by representatives of the affected plans. The Corporation expected 136 individually identified multiemployer plans are either already insolvent or are terminated and not eligible for SFA. And therefore, we expect those plans to need financial assistance because of inadequate contribution bases and insufficient assets.

COVID-19 Note

There are certain assumptions that are or can potentially be impacted by the COVID-19 pandemic. Any impact to assumptions tied to current market conditions, such as interest rates and investment returns, is reflected in these assumptions. Any potential impact to other assumptions will be evaluated over time as events unfold and more data is analyzed.

Statement of Actuarial Opinion

This valuation has been prepared in accordance with generally accepted actuarial principles and practices and, to the best of my knowledge, fairly reflects the actuarial present value of the Corporation's liabilities for the single-employer and multiemployer plan insurance programs as of September 30, 2022.

In preparing this valuation, I have relied upon information provided to me regarding plan provisions, plan participants, plan assets, and other matters, some of which are detailed in Note 6 of this Annual Report as well as a complete Actuarial Report available from PBGC.

In my opinion, (1) the techniques and methodology used for valuing these liabilities are generally acceptable within the actuarial profession; (2) the assumptions used are appropriate for the purposes of this statement and are individually my best estimate of expected future experience, discounted using current settlement rates from insurance companies as determined by PBGC's Policy Research and Analysis Department; and (3) the resulting total liability represents my best estimate of anticipated experience under these programs.

I, Scott Young, am the Chief Valuation Actuary of the PBGC. I am a Member of the American Academy of Actuaries, a Fellow of the Society of Actuaries and an Enrolled Actuary. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Scott G. Young

Scott G. Young, FSA, EA, MAAA
Fellow of the Society of Actuaries
Enrolled Actuary
Member of the American Academy of Actuaries
Chief Valuation Actuary, Pension Benefit Guaranty Corporation
Director, Actuarial Services and Technology Department

INDEPENDENT AUDIT AND MANAGEMENT'S RESPONSE

November 15, 2022

To the Board of Directors
Pension Benefit Guaranty Corporation

The Office of Inspector General contracted with Ernst & Young LLP (EY), an independent certified public accounting firm, to audit the financial statements of the Single-Employer and Multiemployer Program Funds administered by the Pension Benefit Guaranty Corporation as of and for the years ended September 30, 2022 and 2021. EY conducted the audit in accordance with the auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*), and in accordance with the provisions of OMB Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*.

In their audit, EY found:

- The financial statements present fairly, in all material respects, the financial position of the Single-Employer and Multiemployer Program Funds administered by the PBGC as of September 30, 2022 and 2021, and the results of their operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the U.S. This is the 30th consecutive unmodified financial statement audit opinion.

- PBGC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022, based on criteria established under 31 U.S.C. § 3512 (c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA) as implemented by OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and in *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office (the Green Book).

- No instances of noncompliance or other matters with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

EY is responsible for the accompanying auditor's report dated November 15, 2022 and the conclusions expressed in the report. We do not express opinions on PBGC's financial statements or internal control over financial reporting, nor do we draw conclusions on compliance with laws and regulations. The financial statement audit report (AUD-2023-02/FA-22-165) is also available on our website at oig.pbgc.gov.

Respectfully,

Nicholas J. Novak

Nicholas J. Novak
Inspector General

cc: Gordon Hartogensis
Patricia Kelly
Alice Maroni
Kristin Chapman
David Foley
Karen Morris
Ann Orr
Robert Scherer
Theodore Winter
Frank Pace
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Report of Independent Auditors

To the Board of Directors, Management, and the Inspector General
of the Pension Benefit Guaranty Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Pension Benefit Guaranty Corporation (the Corporation), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of operations and cash flows of the Single-Employer and Multiemployer Program Funds administered by the Corporation for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Single-Employer and Multiemployer Program Funds administered by Corporation at September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*, the Corporation's internal control over financial reporting as of September 30, 2022, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA) as implemented by Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and in *Standards for Internal Control in the Federal Government*, issued by the United States Government Accountability Office (the Green Book), and our report dated November 15, 2022, expressed an unmodified opinion thereon.

Basis for Opinion

We conducted our audits in accordance with GAAS, in accordance with *Government Auditing Standards*, and in accordance with the provisions of OMB Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and the provisions of OMB Bulletin No. 22-01 are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the potential losses from Single-Employer plans for which termination is reasonably possible as a result of unfunded vested benefits are estimated to be approximately $52 billion. Management calculated the potential losses from Single-Employer plans for which termination is reasonably possible based on the most recent data available from filings and submissions for plan years ended on or after December 31, 2020, and adjusted the value reported for liabilities to the estimated balance as of December 31, 2021, using actuarial assumptions. The Corporation did not adjust the estimate for economic conditions that occurred between December 31, 2021 and September 30, 2022, and, as a result, the underfunding for the Single-Employer Program as of September 30, 2022, could be substantially different. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* and the provisions of OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* and the provisions of OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Message from the Corporation's Chair, Message from the Director, Annual Performance Report, Operations in Brief, Strategic Goals and Results, Independent Evaluation of the Corporation's Programs, Fiscal Year 2022 Financial Statement Highlights, Management's Discussion and Analysis, Analysis of Entity's Systems, Controls and Legal Compliance, Management Representation, Payment Integrity Information Act Reporting, 2022 Actuarial Valuation, Letter of the Inspector General, Management's Response to the Report of Independent Auditors, and Organization but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated November 15, 2022, on our audit of the Corporation's internal control over financial reporting. The purpose of that report is to provide an opinion on internal control over financial reporting. In accordance with *Government Auditing Standards*, we also have issued our report dated November 15, 2022, on our tests of the Corporation's compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Ernst + Young LLP

November 15, 2022

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Report of Independent Auditors on Internal Control Over Financial Reporting

To the Board of Directors, Management, and the Inspector General
of the Pension Benefit Guaranty Corporation

Opinion on Internal Control Over Financial Reporting

We have audited the Pension Benefit Guaranty Corporation's (the Corporation) internal control over financial reporting as of September 30, 2022, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA) as implemented by Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and in *Standards for Internal Control in the Federal Government*, issued by the United States Government Accountability Office (the Green Book). In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting at September 30, 2022, based on the FMFIA criteria.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and in accordance with the provisions of OMB Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, the statements of financial position as of September 30, 2022 and 2021, and the related statements of operations and cash flows of the Single-Employer and Multiemployer Program Funds administered by the Corporation for the years then ended, and the related notes (collectively referred to as the "financial statements"), and our report dated November 15, 2022, expressed an unmodified opinion thereon.

Basis for Opinion

We conducted our audit in accordance with GAAS and in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for Internal Control Over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Analysis of Entity's Systems, Controls and Legal Compliance section of the Annual Report.

Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists. In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies.

In performing an audit of internal control over financial reporting in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk. We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements; and (4) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Reporting Significant Deficiencies in Internal Control Over Financial Reporting as Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies. A *deficiency in internal control* over financial reporting (internal control) exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated November 15, 2022, on our tests of the Corporation's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's compliance.

Ernst + Young LLP

November 15, 2022

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Report of Independent Auditors on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors, Management, and the Inspector General
of the Pension Benefit Guaranty Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*) and the provisions of Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, the financial statements of the Pension Benefit Guaranty Corporation (the Corporation), which comprise the statement of financial position as of September 30, 2022 and 2021, and the related statements of operations and cash flows of the Single-Employer and Multiemployer Program Funds administered by the Corporation for the years then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated November 15, 2022, which expressed an unmodified opinion thereon. We also have audited, in accordance with GAAS, the Corporation’s internal control over financial reporting as of September 30, 2022, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers’ Financial Integrity Act (FMFIA) as implemented by OMB Circular No. A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control* and in *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office (the Green Book), and our report dated November 15, 2022, expressed an unmodified opinion thereon.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation’s financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the provisions of OMB Bulletin No. 22-01.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the Corporation's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's compliance. Accordingly, this communication is not suitable for any other purpose.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022, on our audit of the Corporation's internal control over financial reporting. The purpose of that report is to provide an opinion on internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting.

Ernst & Young LLP

November 15, 2022

Pension Benefit Guaranty Corporation
445 12th Street SW, Washington, DC 20024-2101

PBGC Protecting America's Pensions

Office of the Director

November 15, 2022

MEMORANDUM

To:	Nick Novak Inspector General
From:	Gordon Hartogensis Director
Subject:	Response to the Independent Auditor's Combined Audit Report for the FY 2022 Financial Statement Audit

Thank you, once again this year for the opportunity to comment on the Office of Inspector General's FY 2022 audit results regarding the agency's financial statements, internal controls, and compliance with laws and regulations. Given that PBGC protects the pensions of millions of America's, workers, retirees, and their families, it is especially noteworthy that our financial statements have once again received an unmodified opinion, as have our internal controls over financial reporting.

Your attention to this report is especially appreciated.

cc:
Kristin Chapman
Patricia Kelly
Ann Orr
David Foley
Alice Maroni
Karen Morris
Robert Scherer
John Hanley
Frank Pace
Theodore J. Winter

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Chief Financial Officer
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Acting Chief of Negotiations and Restructuring
John Hanley

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Karen Morris

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Inspector General
Nicholas J. Novak

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Program Law and Policy Department
Dan Liebman
Deputy General Counsel

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Diane Braunstein
Director

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Director

Risk Management Officer
Latreece Wade

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Kweku Obed

PARTICIPANT AND PLAN SPONSOR ADVOCATE

Constance A. Donovan