

November 18, 2019

Regulatory Affairs Division, Office of General Counsel
Pension Benefit Guaranty Corporation
1200 K Street NW
Washington, DC 20005-4026
RIN 1212-AB41
RIN 1212-AB27

Dear Sir or Madam:

This letter documents the response of Willis Towers Watson to the proposed regulations RIN 1212-AB41 *Lump Sum Payment Assumptions* and RIN 1212-AB27 *Benefit Payments and Allocation of Assets*. Because we have minimal comments on RIN 1212-AB27, we have combined our comments in a single letter.

Willis Towers Watson is a leading global professional services company that employs more than 45,000 worldwide, over 1,100 of whom are members of U.S. actuarial bodies subject to the standards and approximately 600 of whom are enrolled actuaries. We provide actuarial and consulting services to more than 1,700 defined benefit plans in the U.S. The undersigned have prepared our company's response with input from others in the company.

We appreciate the opportunity to comment.

RIN 1212-AB41 Lump Sum Payment Assumptions

We understand and appreciate the reasons that the Pension Benefit Guaranty Corporation (PBGC) is proposing to move to Internal Revenue Code (IRC) §417(e) assumptions for purposes of paying small benefit lump sums under PBGC trustee plans. We agree that this is a reasonable approach and trust the judgment of PBGC that the effort required to develop unique assumptions solely for this purpose is not warranted. Our comments are in response to PBGC's inquiry on which private-sector plans use the PBGC lump sum rates and for what purpose, and whether setting the legacy interest rates at a 120-month average would cause any undue burden.

Prevalence

We believe that a non de minimis number of plans still rely on the PBGC interest rates. We are aware of a few dozen instances within our client base and the number over the entire universe of plans could be much larger. While these rates are most often used to calculate lump sum benefits, some plans still use them for other purposes (e.g., converting other optional forms of benefit, crediting interest on cash balance accounts).

Meaning of Current Plan Language

While the exact references to PBGC rates can vary from plan to plan, we do not believe that many plans currently refer to "Appendix C" or "private sector" PBGC rates. Thus we believe that in most, or perhaps all, situations the proposed change to IRC §417(e) assumptions would flow through to all uses of PBGC

rates in the absence of a current amendment to refer to Appendix C. This is consistent with the view expressed in 2000 in RIN 1212-AA92 when it stated “Alternatively, plan practitioners may refer to the PBGC’s lump sum interest rates for PBGC payments. This reference would be to the rates the PBGC uses for its own lump sum payments and therefore could result in unexpected changes in plan lump sum amounts if the PBGC changes the way it sets rates for its own payments”. We believe it would be inappropriate to impose on sponsors of plans that refer to the assumptions that PBGC uses to pay lump sums a requirement to forever continue using lump sum assumptions that PBGC no longer uses, and thus we support the interpretation in RIN 1212-AA92.

Fail Safe Language

We also note that some plans, in anticipation that PBGC might cease publishing rates, included “fail safe language”, intended to specify what rates would be used in that event. The language of these provisions varies widely. Some such plans indicate that they will use IRC §417(e) assumptions thereafter. We believe such plans will move to IRC §417(e) assumptions either because (a) as discussed above, we believe that the rates PBGC uses to pay lump sums will continue to exist after this change and will simply be §417(e) rates or (b) if the plan sponsor and/or PBGC disagree with (a), the plan itself provides that IRC §417(e) rates will be used if PBGC ceases publishing rates. Although this will be up to plan sponsors to determine, we do not believe that locking in a 120-month average of the rates ending with July 2019 constitutes continuing to publish rates. However, we do suggest alternatives below that we believe would be considered continuing to publish rates.

For plans that provide an alternative actuarial assumption basis (other than §417(e) rates) if the PBGC no longer publishes rates it uses to calculate lump sums, the plan sponsors would need to determine whether they believe that PBGC has ceased to publish rates. Of course PBGC has the opportunity to express their view on this issue when it finalizes the regulation.

Locking in a 120-month Average of Rates as the Private Sector Rate

As discussed above, we believe the result of PBGC’s change under the language of most plan documents is that they would also switch to IRC §417(e) assumptions. Therefore we view the future private sector rates of Appendix C to be of little consequence. However, we strongly believe that the rates should not be locked in permanently and are expressing this view in the event that the PBGC or individual plan sponsors disagree with our general interpretations of the plan language we have seen.

While we understand PBGC’s desire not to expend substantial resources updating these rates, we believe that there are better alternatives than locking it in permanently at a rate that is well above the current rate and someday could be well below the then current rate. We believe that PBGC could continue to publish a rate that will reasonably reflect the then current interest rate environment without expending much effort. Specifically, we believe a better approach would be to analyze the historical relationship of a published rate (e.g., the Moody’s AA bond index, the segment rates or some other relevant rate that has been available for an extended period) to the PBGC rates, and set the PBGC private sector rates to equal the published rates less a number of basis points that makes sense given the historical relationships. Of course this is equivalent to moving the last published PBGC rates in tandem with the selected published rate, subject to any rounding convention.

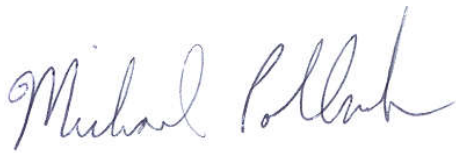
RIN 1212-AB27 Benefit Payments and Allocation of Assets

We generally agree with the changes that are proposed and appreciate many of the clarifications. We do have one comment. While we appreciate the clarification that PBGC’s rules on payment of a lump sum are unaffected by election of a lump-sum distribution before plan termination, we don’t believe that

whether a lump sum that was validly elected before plan termination is paid should be based on the vagaries of the payment process. One participant may be paid and another not for reasons like shortages of administrative personnel due to employer's liquidation or financial problems (leading to possible abuses related to which participants' lump sums are processed first), data issues, the need to perform calculations under a qualified domestic relations order, etc.

Thank you for this opportunity to comment on the proposed regulations. If you have any questions concerning our comments, please contact either of us directly.

Sincerely,



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