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## FREQUENTLY USED ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ERISA</td>
<td>Employee Retirement Income Security Act of 1974 as amended</td>
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<tr>
<td>FTAP</td>
<td>Funding Target Attainment Percentage</td>
</tr>
<tr>
<td>MAP-21</td>
<td>The Moving Ahead for Progress in the 21st Century Act, P.L. 112-141</td>
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<tr>
<td>PPA</td>
<td>The Pension Protection Act of 2006, P.L. 109-280</td>
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<td>PBGC</td>
<td>Pension Benefit Guaranty Corporation</td>
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OVERVIEW

Sponsors of certain single-employer qualified defined benefit pension plans with significant underfunding are required to provide specified financial and actuarial information about the plans and employers in the plan sponsors’ controlled group to PBGC under the Employee Retirement Income Security Act (ERISA). ERISA Section 4010(e) requires PBGC to annually submit to certain committees of the Senate and House of Representatives a summary report in the aggregate of the information submitted to PBGC under Section 4010. This report summarizes Section 4010 information submitted for information years ending in 2008 through 2019.1 We refer to this report as the “2019 4010 Report” because the most recent filings included relate to information years ending in 2019.

Due to the limitations on who files, the plans for which this information is reported are not representative of the defined benefit plan universe, nor are they representative of PBGC’s insurance exposure. Readers are cautioned against extrapolating this information to the much broader population of companies and plans in the defined benefit plan system or using this information to draw conclusions about historic trends.

WHO FILES SECTION 4010 REPORTS?

ERISA Section 4010 provides that reporting is required if any of the following conditions apply:

1. One or more plans sponsored by a member of the controlled group had a funding target attainment percentage (FTAP), determined without regard to the interest rate stabilization rules, below 80%;

2. One or more controlled group members failed to make a required contribution to a plan within 10 days after its due date and such failure met the conditions for imposition of a lien under ERISA Section 303(k) or Internal Revenue Code Section 430(k);4 or

3. One or more plans maintained by a controlled group member has been granted a minimum funding waiver totaling in excess of $1 million, any portion of which is still outstanding.

With respect to the first condition, PBGC waives reporting for controlled groups with aggregate underfunding of less than $15 million or fewer than 500 defined benefit plan participants. With respect to the other two conditions, unless reporting is required by the first condition (and not waived), PBGC waives reporting if a missed contribution triggering a lien or a minimum funding waiver application was reported to PBGC (as required by ERISA Section 4043) before the Section 4010 filing was otherwise due. In almost all circumstances, the reason a Section 4010 filing is required is because of the first condition noted above.

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1 The “information year” is generally the employer’s fiscal year. Plan related information is measured as of the last day of the plan year ending within the information year.
2 The term “controlled group” is defined in ERISA Section 4001(a)(14). In general, a controlled group is a group of two or more corporations or businesses that are under some sort of common control (e.g., parent-subsidiary).
3 The “interest rate stabilization” rules, under which the discount rate used to determine certain liabilities is adjusted to the extent it falls outside a specified corridor, are provided in ERISA Section 303(h)(2)(C)(iv).
4 Generally, aggregate missed contributions in excess of $1 million trigger this lien.
5 From 2012, when the interest rate stabilization rules were implemented for funding purposes, through 2015, stabilized rates were used for purposes of determining whether the $15 million waiver applied. Starting with 2016, the determination is based on non-stabilized rates (i.e., the same rates used for the first condition). As a result, several companies that previously qualified for the waiver were required to file Section 4010 information for 2016.
NUMBER OF FILERS

Figure 1 shows how many filings PBGC has received since 2008. Because filing is done on a controlled group basis, it is common for one filing to contain information on more than one plan. For that reason, Figure 1 also provides information on the number of plans reported in Section 4010 filings. These plans generally represent less than 3% of the plans in the PBGC-insured single-employer plan universe.

Figure 1 – Number of Section 4010 Filers

The increase in the number of filers after 2015 is primarily because of the change noted in footnote 5.

Plans that are included in reports filed under Section 4010 tend to be larger than average. For example, for 2019, the median number of participants in those plans was about 2,000. This contrasts with the universe of PBGC-insured single-employer plans where most plans cover far fewer participants.

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6 The Pension Protection Act of 2006 (PPA) made several changes to ERISA Section 4010, including adding a requirement to report summary information to Congress. These changes were first effective for 2008 which is why the report shows data starting with 2008.

7 The number of plans shown in Figure 1 excludes certain small plans sponsored by companies required to submit Section 4010 information classified as “exempt plans” because Section 4010 filers are not required to report actuarial information for these plans. See section 4010.8(c) of PBGC’s Section 4010 regulation.

8 In 2019, over 72% of plans had less than 100 participants (Table S-31 of PBGC’s data tables). Note that, while most plans are small, the majority of all single-employer system participants are in plans that cover more than 10,000 participants, as shown in Table S-30 of PBGC’s data tables.
ERISA Section 4010 requires that, for each plan included in a Section 4010 filing, “the amount of benefit liabilities ... determined using the assumptions used by the corporation in determining liabilities” is reported. For this purpose, assets are valued at fair market value and liabilities are measured on a termination basis (i.e., using assumptions provided in PBGC’s Section 4044 regulations) and therefore, this amount is commonly called “termination liability.” Figure 2 shows the funded liability, unfunded liability and total liability reported (all plans combined) in each of the post-PPA years.

**Figure 2 – Aggregate Benefit Liabilities (Termination Basis) Reported in Section 4010 Filings**

![Bar chart showing aggregate benefit liabilities for each post-PPA year.](chart.png)

**ADDITIONAL ACTUARIAL CALCULATIONS**

ERISA Section 4010(d)(1)(C) requires that filers report the funding target attainment percentage (4010 FTAP), determined without regard to the interest rate stabilization rules (see footnote 3). Figure 3 shows the average 4010 FTAP for plans required to submit Section 4010 information in each of the post-PPA years.
ERISA Section 4010(d)(1)(B) requires that plans report the funding target of the plan recalculated as if the plan has been in at-risk status for at least 5 plan years as defined in ERISA Section 303(i). PBGC does not typically need or use this information. Because it is burdensome and costly for companies to calculate this amount, PBGC amended its Section 4010 regulation to provide that, starting with 2016, this amount need not be reported as part of a Section 4010 submission. Rather, if a situation arises where PBGC determines it needs that information from a particular plan (that is subject to Section 4010 reporting), PBGC may request the plan submit that data item at a later date.
CONCLUSION

The Section 4010 filings provide PBGC with more current and useful underfunding information for single-employer pension plans than any other source. They are also the only way that sponsors report plan underfunding on a termination basis, as no other reporting requirement uses this measure, and they are one of the few sources of financial information for all members of a controlled group, not just the plan sponsor. The Section 4010 data greatly enhance PBGC’s ability to identify and monitor potential risks to the single-employer pension insurance system, to focus PBGC resources on situations that pose the greatest risks to the system, to assert appropriate claims in bankruptcy against members of a controlled group of the plan sponsor of a terminated plan, and to prepare PBGC’s financial statements.