

PENSION BENEFIT GUARANTY CORPORATION (PBGC)

Statement of Regulatory and Deregulatory Priorities

The Pension Benefit Guaranty Corporation (PBGC) protects the pensions of over 44 million working men and women in about 31,000 private defined benefit plans. The PBGC receives no funds from general tax revenues. Operations are financed by insurance premiums, investment income, assets from pension plans trusted by the PBGC, and recoveries from the companies formerly responsible for the trusted plans.

To carry out these functions, the PBGC must issue regulations interpreting such matters as the termination process, establishment of procedures for the payment of premiums, and assessment and collection of employer liability. The PBGC regulatory priorities are focused on improving transparency and increasing the use of electronic filing to simplify filing.

PBGC Insurance Programs

The PBGC administers two insurance programs for private defined benefit plans under title IV of the Employee Retirement Income Security Act of 1974 (ERISA): a single-employer plan termination insurance program and a multiemployer plan insolvency insurance program.

Single-Employer Program. Under the single-employer program, the PBGC pays guaranteed and certain other pension benefits to participants and beneficiaries if their plan terminates with insufficient assets (distress and involuntary terminations). At the end of fiscal year 2004, the program had a record \$23 billion deficit, and Congress was considering proposals by the Administration and others to improve funding of plans and restore the financial health of the insurance program.

Multiemployer Program. The smaller multiemployer program covers 1,600 collectively bargained plans involving more than one unrelated employer. The PBGC provides financial assistance (in the form of a loan) to the plan if the plan is unable to pay benefits at the guaranteed level. Guaranteed benefits are less than single-employer guaranteed benefits. The multiemployer program, which is separately funded from the single-employer program, went into a deficit position in FY 2003, which improved slightly in 2004. The Administration will be examining the

multiemployer program to determine what changes, if any, may be needed to strengthen it.

Regulatory Objectives and Priorities

PBGC regulatory objectives and priorities are developed in the context of its statutory purposes: (1) encouraging voluntary private pension plans; (2) providing for the timely and uninterrupted payment of pension benefits; and (3) keeping premiums at the lowest possible levels. PBGC also attempts to minimize administrative burdens on plans and participants.

The PBGC regulatory priorities are focused on changes to improve transparency and to simplify filing with PBGC by increasing use of electronic filing. PBGC policymaking gives consideration to the special needs and concerns of small business.

Improve Transparency of Information

PBGC has been moving forward to improve transparency of information to plan participants, investors, and PBGC, to better inform them and to encourage more responsible funding of pension plans. In March 2005, PBGC issued a final rule requiring the filing of certain additional items of supporting information for plan actuarial information and employer financial information that is required of certain employers with large amounts of pension underfunding. PBGC also is developing proposed amendments to the regulation that requires notice to PBGC of certain events that threaten plan funding. In addition, PBGC is developing proposed amendments to improve the accuracy of plan funding information that certain underfunded plans are required to provide in an annual Participant Notice.

Simplify Filing by Increasing Use of Electronic Filing

The PBGC introduced optional electronic filing of premiums in 2004 with an online filing system that employs PBGC software. In March 2005, PBGC issued a proposed rule that would require electronic filing of premium information for plans with 500 or more participants for plan years beginning after 2005 and for all plans for plan years beginning after 2006. The PBGC would grant case-by-case exemptions for filers that demonstrated good cause. On-line filers will have a choice of using private-sector software that meets PBGC's published standards or using PBGC's software. Electronic premium filing will simplify filers' paperwork, improve accuracy of PBGC's premium records and database, and enable more prompt payment of premium refunds.

Plan actuarial and employer financial information required to be reported to PBGC by employers with large amounts of pension underfunding is required to be filed electronically under a final regulation issued in March 2005. Electronic filing will reduce the filing burden, improve accuracy, and better enable PBGC to monitor and manage risks posed by these plans.

Relief for Small Businesses

A large percentage of the plans insured by the PBGC are small or maintained by small employers. The PBGC takes the special needs and concerns of small entities into account in developing its regulatory policies. For example, mandatory electronic filing of premiums would apply a year later to plans with fewer than 500 participants than to larger plans. Also, the May 2004 proposed revisions to the penalty structure for failure to comply with the Participant Notice requirements scale down the penalty rate based on the number of plan participants.

The PBGC will continue to review its regulations to look for further simplification opportunities. The PBGC's regulatory plan for October 1, 2005, to September 30, 2006, consists of one significant regulatory action.

PBGC

FINAL RULE STAGE

134. ALLOCATION OF ASSETS IN SINGLE-EMPLOYER PLANS; VALUATION OF BENEFITS AND ASSETS

Priority:

Other Significant

Legal Authority:

29 USC 1302(b)(3); 29 USC 1341; 29 USC 1301(a); 29 USC 1344; 29 USC 1362

CFR Citation:

29 CFR 4044, subpart B

Legal Deadline:

None

Abstract:

The PBGC proposes to amend its benefit valuation and asset allocation regulations by adopting more current mortality tables and otherwise simplifying and improving its valuation assumptions and methods.

Statement of Need:

The PBGC's regulations prescribe rules for valuing a terminating plan's benefits for several purposes, including (1) determining employer liability and (2) allocating assets to determine benefit entitlements. The PBGC's interest assumption for valuing benefits, when combined with the PBGC's mortality assumption, is intended to reflect the market price of single-premium, nonparticipating group annuity contracts for terminating plans. In developing its interest assumptions, the PBGC uses data from surveys conducted by the American Council of Life Insurers. The PBGC currently uses a mortality assumption based on the 1983 Group Annuity Mortality Table in its benefit valuation and asset allocation regulations (29 CFR parts 4044 and 4281).

In May 1995, the Society of Actuaries Group Annuity Valuation Table Task Force issued a report that recommends new mortality tables for a new Group Annuity Reserve Valuation Standard and a new Group Annuity Mortality Valuation Standard. In December 1996, the National Association of Insurance

Commissioners adopted the new tables as models for determining reserve liabilities for group annuities. The PBGC is considering incorporating these tables into its regulations and making other modifications.

Summary of Legal Basis:

The PBGC has the authority to issue rules and regulations necessary to carry out the purposes of title IV of ERISA.

Alternatives:

Not yet determined.

Anticipated Cost and Benefits:

Cost estimates are not yet available. However, the PBGC expects that this regulation will not have a material effect on costs.

Risks:

Not applicable.

Timetable:

Action	Date	FR Cite
ANPRM	03/19/97	62 FR 12982
ANPRM Comment Period End	05/19/97	
NPRM	03/14/05	70 FR 12429
NPRM Comment Period End	05/13/05	

Action	Date	FR Cite
Final Action	11/00/05	
Final Action Effective	12/00/05	

Regulatory Flexibility Analysis Required:

No

Government Levels Affected:

None

URL For More Information:

www.pbgc.gov/regs

URL For Public Comments:

www.pbgc.gov/regs

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