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Pension Benefit Guaranty Corporation (PBGC): A Primer

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Summary

The Pension Benefit Guaranty Corporation (PBGC) is a government corporation established by the Employee Retirement Income Security Act of 1974 (ERISA; P.L. 93-406). It was created to protect the pensions of participants and their beneficiaries covered by private sector defined benefit (DB) plans. These pension plans provide a specified monthly benefit at retirement, usually either a percentage of salary or a flat dollar amount multiplied by years of service. Defined contribution (DC) plans, such as 401(k) plans, are not insured. PBGC is chaired by the Secretary of Labor, with the Secretaries of the Treasury and Commerce serving as board members.

PBGC runs two distinct insurance programs: one for single-employer pensions and a second for multiemployer plans. Single-employer pension plans are sponsored by one employer and cover eligible workers employed by the plan sponsor. Multiemployer plans are collectively bargained plans to which more than one company makes contributions. PBGC maintains separate reserve funds for each program.

A firm must be in financial distress to end an underfunded single-employer plan and for PBGC to become the trustee of the plan. PBGC does not become trustee of multiemployer plans. An insolvent multiemployer plan is one that does not have sufficient resources from which to pay promised benefits. PBGC provides financial assistance to insolvent multiemployer plans in the form of loans, although PBGC does not expect the loans to be repaid.

In FY2022, PBGC insured about 25,000 DB pension plans covering approximately 33 million people. PBGC became the trustee of 32 newly terminated single-employer pension plans and began providing financial assistance to an additional six multiemployer pension plans. At the end of FY2022, 963,097 participants were receiving monthly benefits in the single-employer program, and 5,031 single-employer pension plans were trusteed or pending trusteeship. PBGC paid $7.1 billion in benefits to participants in the single-employer program in FY2022. In the multiemployer program, 115 plans received $217 million in financial assistance in FY2022.

There is a statutory maximum benefit that PBGC can pay. Participants receive the lower of their benefit as calculated under the plan or the statutory maximum benefit. If a participant's benefit is higher than the statutory maximum benefit, the participant's benefit is reduced. Participants in single-employer plans that terminate in 2023 and are trusteed by PBGC may receive up to $81,000 per year if they begin taking their pension at the age of 65. The single-employer maximum benefit is adjusted depending on the age at which the participant begins taking the benefit and on the form of the benefit (e.g., the maximum benefit is lower for a joint-and-survivor annuity). The maximum benefit for participants in multiemployer plans that receive financial assistance depends on the number of years of service in the plan. For example, a participant with 30 years of service may receive up to $12,870 per year. Currently, most workers in single-employer plans taken over by PBGC and multiemployer plans that receive financial assistance from PBGC receive the full pension benefit that they earned.

At the end of FY2022, PBGC had a total surplus of $37.7 billion, which consisted of a $36.6 billion surplus from the single-employer program and a $1.1 billion surplus from the multiemployer program.

PBGC's single-employer and multiemployer programs are funded by premiums set by Congress and paid by the private sector employers that sponsor DB pension plans. Other sources of income for the single-employer program are assets from terminated plans taken over by PBGC, investment income, and recoveries collected from companies when they end underfunded pension plans. Another source of income for the multiemployer program is investment income on its revolving fund assets. The American Rescue Plan Act of 2021 (ARPA; P.L. 117-2) authorized the

Special Financial Assistance (SFA) program, which provides financial assistance to eligible financially troubled multiemployer DB plans and represents a new source of financing outside of PBGC's revolving fund. SFA is administered by PBGC and financed by appropriations from Congress. Due to SFA, PBGC estimated that its multiemployer program is likely to remain solvent for the next 40 years.

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Pension Benefit Guaranty Corporation

The Pension Benefit Guaranty Corporation (PBGC) is a government corporation established by the Employee Retirement Income Security Act of 1974 (ERISA; P.L. 93-406). It was created to protect the pensions of participants and beneficiaries covered by private sector *defined benefit* (DB) plans. These pension plans provide a specified monthly benefit at retirement, usually either a percentage of salary or a flat dollar amount multiplied by years of service. *Defined contribution* (DC) plans, such as 401(k) plans, are not insured.[1]

PBGC runs two distinct insurance programs: one for single-employer pension plans and a second for multiemployer plans. Single-employer pension plans are sponsored by one employer and cover eligible workers employed by the plan sponsor. Multiemployer plans are collectively bargained plans to which more than one company makes contributions. PBGC maintains separate reserve funds for each program.

In FY2022, PBGC insured about 25,000 DB pension plans covering about 33 million people.[2] It paid or owed benefits to 1.6 million people.[3] PBGC is the trustee of 5,100 single-employer plans.[4] PBGC provided financial assistance to 91 multiemployer pensions.[5] PBGC benefits to plan participants are capped by a statutory maximum amount. Most workers in single-employer plans taken over by PBGC and multiemployer plans that receive financial assistance from PBGC receive the full pension benefit that they earned.[6] However, among participants in multiemployer plans that were terminated and likely to need financial assistance in the future, 49% have a benefit below the PBGC maximum guarantee and 51% have a benefit larger than the PBGC maximum guarantee.[7]

In previous years, PBGC had large deficits in its multiemployer program due to the projected insolvencies of financially troubled multiemployer plans, which were projected to result in the multiemployer program's insolvency in 2025. Section 9704 in Title IX, Subtitle H, of the American Rescue Plan Act of 2021 (ARPA, P.L. 117-2) authorized the Special Financial Assistance (SFA) program, which provides financial assistance to eligible financially troubled multiemployer DB pension plans.

PBGC Administration

PBGC is a government-owned corporation. A three-member board of directors, chaired by the Secretary of Labor, administers the corporation. The Secretary of Commerce and the Secretary of the Treasury are the other members of the board of directors. The director of PBGC is appointed by the President with the advice and consent of the Senate. ERISA also provides for a seven-member advisory committee, appointed by the President, for staggered three-year terms. The

[1] These plans are authorized in §401(k) of the Internal Revenue Code.

[2] See PBGC, *PBGC Annual Report 2022*, p. 25, at https://www.pbgc.gov/sites/default/files/documents/pbgc-annual-report-2022.pdf.

[3] PBGC, *PBGC Annual Report 2022*, p. 30.

[4] PBGC, *PBGC Annual Report 2022*, p. 31.

[5] PBGC, *PBGC Annual Report 2022*, p. 32.

[6] See Pension Benefit Guaranty Study, *PBGC's Multiemployer Guarantee*, March 2015, at https://www.pbgc.gov/documents/2015-ME-Guarantee-Study-Final.pdf.

[7] Pension Benefit Guaranty Study, *PBGC's Multiemployer Guarantee*, March 2015.

advisory committee advises PBGC on issues, such as investment of funds, plan liquidations, and other matters.

The Moving Ahead for Progress in the 21st Century Act (MAP-21; P.L. 112-141) altered some of the governance structures of PBGC. Some of these changes include setting the term of the PBGC director at five years, unless removed by the President or by the board of directors; requiring that the board of directors meet at least four times each year; and establishing a Participant and Plan Sponsor Advocate within PBGC to act as a liaison between PBGC, participants in plans trusteed by PBGC, and the sponsors of pension plans insured by PBGC.[8]

PBGC Financing

PBGC's single-employer and multiemployer insurance programs are required by ERISA to be self-supporting. These programs receive no appropriations from general revenue.[9] Although SFA provides assistance to multiemployer plans, it is accounted for separately from the *traditional* financial assistance provided by PBGC's multiemployer insurance program to insolvent plans. Although ERISA states that the "United States is not liable for any obligation or liability incurred by the corporation,"[10] funds provided through the enactment of SFA are intended to ensure the continued solvency of the multiemployer program. Some Members of Congress have expressed a reluctance toward providing financial assistance to PBGC.[11]

The single-employer and multiemployer programs are funded by premiums set by Congress and paid by the private sector employers that sponsor DB pension plans. Other sources of income for the single-employer program are assets from terminated plans taken over by PBGC, investment income, and recoveries collected from companies when they end underfunded pension plans. In addition to premiums, the multiemployer program also receives investment income on its revolving fund assets. The SFA program, which is financed by appropriations from Congress, results in a new source of financing outside of PBGC's revolving fund. The Multiemployer Pension Plan Amendments Act of 1980 (P.L. 96-364) requires that PBGC's receipts and disbursements be included in federal budget totals.[12]

[8] The President or board of directors can remove the PBGC director without cause.

[9] Insurance programs refer to benefits paid to trusteed single-employer plans

[10] See ERISA 4002 §1302(g)(2) and 29 U.S.C. 1302 §(g)(2).

[11] For example, then-Chairman Phil Roe and then-Ranking Member Robert Andrews, of the Subcommittee on Health, Employment, Labor, and Pensions in the House Education and Workforce Committee, both expressed reservations about providing government financial assistance for PBGC. See U.S. Congress, House Committee on Education and the Workforce, Subcommittee on Health, Employment, Labor, and Pensions, *Examining the Challenges Facing PBGC and Defined Benefit Pension Plans*, 112th Cong., 2nd sess., February 2, 2012, 112-50 (Washington: GPO, 2012) and U.S. Congress, House Committee on Education and the Workforce, Subcommittee on Health, Employment, Labor, and Pensions, *Strengthening the Multiemployer Pension System: What Reforms Should Policymakers Consider?*, 113th Cong., 1st sess., June 12, 2013. More recently, in 2021, Dr. Virginia Foxx, then-ranking member of the Committee on Education and Labor (in the 118th Congress, chair of the Committee on Education and Workforce) and Rick Allen, then-ranking member of the Subcommittee on Health, Employment, Labor, and Pensions, wrote in a comment letter to PBGC's interim final rule on SFA that the rule "implements the ill-conceived taxpayer-funded bailout of failing and insolvent defined benefit multiemployer pension plans." See https://www.pbgc.gov/sites/default/files/sfa-ifr-comment-comm-ed-labor.pdf.

[12] For an explanation of PBGC financing and the federal budget, see Congressional Budget Office (CBO), *A Guide to Understanding the Pension Benefit Guaranty Corporation*, September 2005, at https://www.cbo.gov/sites/default/files/109th-congress-2005-2006/reports/09-23-guidetopbgc.pdf.

Premiums

The sponsors of private sector pension plans pay a variety of premiums to PBGC. The sponsors of single-employer and multiemployer pension plans pay a flat-rate, per-participant premium. The sponsors of underfunded single-employer pension plans pay an additional premium that is based on the amount of plan underfunding. In addition, pension plans that are terminated in certain situations pay a per-participant premium per year for three years after termination.

The premiums for 2023 are as follows:[13]

- *Single-employer flat-rate premium*: The sponsors of single-employer DB pension plans pay an annual premium of $96 for each participant in the plan.[14]
- *Single-employer variable-rate premium*: In addition to the flat-rate premium, the sponsors of underfunded single-employer DB pension plans pay an additional annual premium of $52 for each $1,000 of unfunded vested benefits.[15] There is an annual per-participant limit of $652 for this premium.
- *Single-employer termination premium*: The sponsors of single-employer DB pension plans that end in certain situations[16] pay an annual premium of $1,250 per participant per year for three years following plan termination.[17]
- *Multiemployer flat-rate premium*: The sponsors of multiemployer DB pension plans pay an annual premium of $35 for each participant in the plan in 2023.[18]

In the **Appendix**, **Table A-1** and **Table A-2** provide a history of PBGC premium rates.

Table 1 details the amounts of premium income in FY2021 and FY2022.

Table 1. Pension Benefit Guaranty Corporation Premium Income

(FY2021 and FY2022 by Type of Premium in Millions of Dollars)

	FY2021	FY2022
Single-Employer		
Flat-Rate Premium	$1,829	$1,821
Variable-Rate Premium	2,628	2,762

[13] See PBGC, "Premium Rates," at https://www.pbgc.gov/prac/prem/premium-rates.

[14] For plan years beginning in 2019, cooperative and small employer charity (CSEC) pension plans—a type of single-employer plan sponsored by certain rural cooperative and 501(c)(3) charities—pay a $19 flat-rate premium and a $9 per $1,000 unfunded vested benefits variable rate premium. This premiums for CSEC plans are not adjusted for inflation. Section 206 of the Setting Every Community Up for Retirement Enhancement Act, enacted as Division O of P.L. 116-94, modified premiums for CSEC plans.

[15] Vested benefits are those benefits that a participant has earned a right to receive from a pension plan. Participants are entitled to their vested benefits even if they leave the pension plan or if the plan terminates.

[16] The termination premium applies to plans that end in distress terminations in which ERISA §4044(c) applies, unless certain conditions about the plan's sponsors apply. For more information, see *Termination Premium Payment Package, including PBGC Form T*, available from PBGC at http://www.pbgc.gov/documents/Form-T-package-2014.pdf.

[17] The termination premium was authorized in Deficit Reduction Act of 2005 (P.L. 109-171). The termination premium is $2,500 for airlines that chose the funding relief available under §402 of the Pension Protection Act of 2006 (PPA; P.L. 109-280) if the plan terminated within five years of choosing the funding relief.

[18] A provision in P.L. 117-2 increased the multiemployer premium to $52 per participant beginning in 2031 and is to be adjusted for increases in the national average wage index thereafter.

	FY2021	FY2022
Termination Premium	26	22
Multiemployer		
Flat-Rate Premium	335	342

Source: PBGC, *PBGC Annual Report 2022*, Note 11: Premiums, at https://www.pbgc.gov/sites/default/files/documents/pbgc-annual-report-2022.pdf.

Requirements for PBGC Coverage

PBGC covers only those DB plans that meet the qualification requirements of Section 401 of the Internal Revenue Code (IRC).[19] DC plans (such as 401(k) and 403(b) plans) are not insured by PBGC. Plans must meet these requirements to receive the tax benefits available to qualified pension plans. If a plan meets the requirements of IRC Section 401, the employer's contributions to the plan are treated as a tax-deductible business expense, and neither the employer's contributions to the plan nor the investment earnings of the plan are treated as taxable income to the participants. When a pension plan participant begins to receive income from the plan, it is taxed as ordinary income.

In general, to be qualified under the IRC, a pension plan must be established with the intent of being a permanent and continuing arrangement; must provide definitely determinable benefits;[20] may not discriminate in favor of highly compensated employees with respect to coverage, contributions, or benefits; and must cover a minimum number or percentage of employees.

Pension plans specifically excluded by law from being insured by PBGC include governmental plans, church plans, plans of fraternal societies financed entirely by member contributions, plans maintained by certain professionals (such as physicians, attorneys, and artists) with 25 or fewer participants, and plans established and maintained exclusively for substantial owners of businesses.[21]

Pension Benefit Insurance Programs

PBGC's single-employer and multiemployer insurance programs each operate differently, and PBGC maintains separate reserve funds for each program. Funds from the reserve of one program may not be used for the other program.

In the single-employer program, PBGC becomes the trustee of terminated, underfunded single-employer DB pension plans. The assets of the terminated plan are placed in a trust fund operated by PBGC. The participants in the trusteed plans receive their benefits from PBGC.

In the multiemployer program, PBGC does not become the trustee of plans. PBGC makes loans to multiemployer DB pension plans when the plans become insolvent. An insolvent

[19] See 26 U.S.C. §401.

[20] See 25 U.S.C. §401(a)(25) and 26 C.F.R. §1.401(a)-1. Definitely determinable benefits are benefits that are based on actuarial assumptions over which an employer does not have the discretion to make changes, such as those calculated from a formula specified in the pension plan documents. As a counter example, a benefit that could be changed based on the employer's profits would not be definitely determinable.

[21] See 29 U.S.C. §1321.

multiemployer plan is one that has insufficient assets available from which to pay participant benefits.

Single-Employer Insurance Program

An employer can voluntarily terminate a single-employer plan in either a standard or distress termination.[22] The participants and PBGC must be notified of the termination. PBGC may involuntarily terminate an underfunded plan if the sponsor is unable to fund its pension obligations.

Standard Terminations

A company may voluntarily end its pension plan if the plan's assets are sufficient to cover benefit liabilities. In such cases, PBGC does not pay any benefits to plan participants. Its role is to confirm that the requirements for termination have been met by the plan. Generally, benefit liabilities equal all benefits earned to date by plan participants, including vested and nonvested benefits (which automatically become vested at the time of termination), plus certain early retirement supplements and subsidies. Benefit liabilities also may include certain contingent benefits.[23] If assets are sufficient to cover benefit liabilities (and other termination requirements, such as notice to employees, have not been violated), the plan distributes benefits to participants. The plan provides for the benefit payments it owes by purchasing annuity contracts from an insurance company, or otherwise providing for the payment of benefits, for example, by providing the benefits in lump-sum distributions.

Assets in excess of the amounts necessary to cover benefit liabilities may be recovered by the employer in an asset reversion.[24] The asset reversion is included in the employer's gross income and is subject to a nondeductible excise tax. The excise tax is 20% of the amount of the reversion if the employer establishes a qualified replacement plan or provides certain benefit increases in connection with the termination. Otherwise, the excise tax is 50% of the reversion amount.

PBGC Trusteeship

When an underfunded plan terminates in a distress or involuntary termination, the plan goes into PBGC receivership. PBGC becomes the trustee of the plan, takes control of any plan assets, and assumes responsibility for liabilities under the plan. PBGC makes payments for benefit liabilities promised under the plan with assets received from two sources: (1) assets in the plan before termination and (2) assets recovered from employers. The balance, if any, of guaranteed benefits owed to beneficiaries is paid from PBGC's revolving funds.

Distress Terminations

If assets in the plan are not sufficient to cover benefit liabilities, the employer may not terminate the plan unless the employer meets one of four criteria necessary for a "distress" termination:

1. The plan sponsor, and every member of the controlled group (companies with the same ownership) of which the sponsor is a member, has filed or had filed against

[22] More information is available in CRS Report RS22624, *The Pension Benefit Guaranty Corporation and Single-Employer Plan Terminations*.

[23] Contingent benefits are benefits that are available when certain specified events occur. For example, a plan might provide "shutdown benefits," which are additional benefits should a plant or facility close.

[24] An asset reversion is cash and property received by the sponsor of a DB pension plan. See 26 U.S.C. §4980(c)(2).

it a petition seeking liquidation in bankruptcy or any similar federal law or other similar state insolvency proceedings;

2. The plan sponsor, and every member of the sponsor's controlled group, has filed or had filed against it a petition to reorganize in bankruptcy or similar state proceedings. This criterion is also met if the bankruptcy court (or other appropriate court) determines that, unless the plan is terminated, the employer will be unable to continue in business outside the reorganization process and approves the plan termination;
3. PBGC determines that termination is necessary to allow the employer to pay its debts when due; or
4. PBGC determines that termination is necessary to avoid unreasonably burdensome pension costs caused solely by a decline in the employer's work force.

These requirements were added by the Single Employer Pension Plan Amendments Act of 1986 (SEPPAA; P.L. 99-272) and modified by the Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203) and the Retirement Protection Act of 1994 (RPA; P.L. 103-465). They are designed to ensure that the liabilities of an underfunded plan remain the responsibility of the employer, rather than PBGC, unless the employer meets strict standards of financial need indicating genuine inability to continue funding the plan.

Involuntary Terminations

PBGC may terminate a plan involuntarily, either by agreement with the plan sponsor or pursuant to a federal court order. PBGC may institute such proceedings only if

- the plan in question has not met the minimum funding standards,
- the plan will be unable to pay benefits when due,
- the plan has a substantial owner who has received a distribution greater than $10,000 (other than by reason of death) and the plan has unfunded vested benefits, or
- the long-run loss to PBGC with respect to the plan is expected to increase unreasonably if the plan is not terminated.[25]

PBGC must terminate a plan if the plan is unable to pay benefits that are currently due. A federal court may order termination of the plan to protect the interests of participants, to avoid unreasonable deterioration of the plan's financial condition, or to avoid an unreasonable increase in PBGC's liability under the plan.

Table 2 provides information on the number of terminations since 1974 by single-employer DB pension plans and the number of these terminations that resulted in PBGC becoming trustee of the pension plan. From FY1974 through FY2022, PBGC became the trustee of 5,092 single-employer DB pension plans. The number of single-employer plan terminations that result in claims against PBGC is a relatively small fraction of all plan terminations. Most pension plan terminations are standard terminations.

Table 2. Number of Standard and Trusteed Pension Plan Terminations

[25] 29 U.S.C. §1341.

Fiscal Year	Number of Standard Termination Filings	Number of Trusteed Terminations
1974-1979	7,955	586
1980-1984	28,025	622
1985-1989	42,599	537
1990-1994	24,171	694
1995-1999	15,089	444
2000-2004	7,493	714
2005	1,108	129
2006	1,247	89
2007	1,233	78
2008	1,405	83
2009	1,294	191
2010	1,308	156
2011	1,400	100
2012	1,332	118
2013	1,481	97
2014	1,373	67
2015	1,197	53
2016	1,225	68
2017	1,350	51
2018	1,468	53
2019	1,500	29
2020	1,725	67
2021	1,574	42
2022	1,634	32
Total	**150,186**	**5,100**

Source: Pension Benefit Guaranty Corporation Pension Insurance Data Book, 2019, Table S-3, and PBGC, *PBGC Annual Report 2020, PBGC Annual Report 2021, and PBGC Annual Report 2022.*

Notes: In a standard termination, a pension plan has sufficient assets from which to pay 100% of the participants' promised benefits. In a trusteed termination, PBGC becomes trustee of the plan and participants receive their benefits, up to a statutory maximum amount, from PBGC. The number of trusteed terminations reported in most recent years are subject to change upon trusteeship finalization.

Employer Liability to PBGC

Following a distress or involuntary termination, the plan's sponsor and every member of that sponsor's controlled group are liable to PBGC for the plan's shortfall. The shortfall is measured as the value of the plan's liabilities as of the date of the plan's termination minus the fair market value of the plan's assets on the date of termination. The liability is joint and several, meaning that each member of the controlled group can be held responsible for the entire liability. Generally, the obligation is payable in cash or negotiable securities to PBGC on the date of termination. Failure to pay this amount upon demand by PBGC may trigger a lien on the property of the contributing employer's controlled group. Often, however, a plan undergoing a distress termination is sponsored by a company that is in bankruptcy proceedings, in which case PBGC does not have legal authority to create (or perfect) a lien against the plan sponsor. In such instances, PBGC has the same legal standing as other creditors of the plan sponsor, and its ability to recover assets is limited.

Benefit Payments

When an underfunded plan terminates, the benefits PBGC will pay depend on the statutory limit on guaranteed benefits, the amount of the terminated plan's assets, and recoveries by PBGC from the employer that sponsored the terminated plan.

Guaranteed Benefits

Within limits set by Congress, PBGC guarantees any retirement benefit that was nonforfeitable (vested) on the date of plan termination other than benefits that vest solely on account of the termination, and any death, survivor, or disability benefit that was owed or was in payment status at the date of plan termination. Generally, only that part of the retirement benefit that is payable in monthly installments (rather than, for example, lump-sum benefits payable to encourage early retirement) is guaranteed. Retirement benefits that commence before the plan's normal age of retirement are guaranteed, provided they meet the other conditions of guarantee. Contingent benefits (for example, early retirement benefits provided only if a plant shuts down) are guaranteed only if the triggering event occurs before plan termination. Following enactment of the Pension Protection Act of 2006 (PPA; P.L. 109-280), PBGC guarantee for such benefits is phased in over a five-year period commencing when the event occurs.[26]

Maximum Benefits for Participants in Single-Employer Pension Plans

ERISA sets a maximum on the individual benefit amount that PBGC can guarantee.[27]

The ceiling for single-employer plans is adjusted annually for national wage growth. The maximum pension guarantee is $81,000 a year for workers aged 65 in plans that terminate in 2023. This amount is adjusted annually and is decreased if a participant begins receiving the benefit before the age of 65 (reflecting the fact that they will receive more monthly pension checks over their expected lifetime) or if the pension plan provides benefits in some form other than equal monthly payments for the life of the retiree.[28] The benefit is increased if a participant begins receiving the benefit after the age of 65 (reflecting the fact that they will receive fewer monthly pension checks over their expected lifetime). **Table 3** contains examples of PBGC's annual maximum benefit for individuals who begin receiving benefits at the ages of 60, 65, or 70 and who receive either a straight-life annuity or a joint and 50% survivor annuity.

[26] For example, PBGC pays 20% of a participant's shutdown benefit if the benefit was adopted within one year prior to plan termination. The percentage increases from year to year. If the benefit was adopted more than five years prior to plan termination, PBGC pays 100% of the participant's shutdown benefit. For more information, see PBGC, "Benefits Payable in Terminated Single-Employer Plans; Limitations on Guaranteed Benefits; Shutdown and Similar Benefits," 79 *Federal Register* 25667-25675, May 6, 2014.

[27] The maximum benefit is different for participants in terminated single-employer pension plans compared with participants in insolvent multiemployer pension plans.

[28] A straight-life annuity pays the monthly benefit until the participant dies. A joint and 50% survivor annuity provides a participant with fixed monthly lifetime benefit payments and, upon death, continues lifetime payments reduced by 50% to the spouse or other beneficiary.

Table 3. Examples of PBGC Annual Maximum Benefits for Single-Employer Plans That Terminate in 2023

	Benefit Begins at Age		
	60	**65**	**70**
Straight-Life Annuity	$52,650	$81,000	$134,460
Joint and 50% Survivor Annuity, Assuming Both Spouses Are the Same Age	$47,385	$72,900	$121,014

Source: PBGC, Maximum Monthly Guarantee Tables, available at http://www.pbgc.gov/wr/benefits/guaranteed-benefits/maximum-guarantee.html.

The reduction in the maximum guarantee for benefits paid before the age of 65 is 7% for each of the first five years under age 65, 4% for each of the next five years, and 2% for each of the next 10 years.[29] The reduction in the maximum guarantee for benefits paid in a form other than a straight-life annuity depends on the type of benefit, and if there is a survivor's benefit, the percentage of the benefit continuing to the surviving spouse and the age difference between the participant and spouse.[30]

Only "basic benefits" are guaranteed. These include benefits beginning at normal retirement age (usually 65), certain early retirement and disability benefits, and benefits for survivors of deceased plan participants. Only vested benefits are insured. The average monthly benefit received by retirees in FY2019 was $579.[31] In a study released in 2019, PBGC indicated that more than 80% of PBGC recipients in single-employer plans trusteed by PBGC received their full benefits.[32] Among participants whose benefits were reduced, the average reduction was 24% and 89% of the reductions in value of plan benefits were in 10 plans.

Assets of a terminated plan are allocated to pay benefits according to a priority schedule established by statute. Under this schedule, some nonguaranteed benefits are payable from plan assets before certain guaranteed benefits. For example, benefits of participants who have been receiving pension payments for more than three years have priority over guaranteed benefits of participants not yet receiving payments.

PBGC also is required to pay participants a portion of their unfunded, nonguaranteed benefits based on a ratio of assets recovered from the employer to the amount of PBGC's claim on employer assets (called Section 4022(c) benefits).

Benefit Payments in the Single-Employer Insurance Program

Table 4 shows that approximately 886,000 participants received monthly payments from PBGC in FY2019 (the most recent year for which comprehensive data on benefit payments are

[29] Further information on the maximum benefit is available in 29 C.F.R. §4022.23, Computation of Maximum Guaranteeable Benefits.

[30] A single life annuity is a benefit that pays an equal monthly benefit for the life of the participant. A survivor's annuity pays an equal monthly benefit for the longer of the life of the participant and the participant's spouse. The monthly payment in a survivor's annuity is typically less than the amount of the single life annuity.

[31] See PBGC, *Pension Insurance Data Book, 2019*, Table S-24, at https://www.pbgc.gov/sites/default/files/2019-pension-data-tables.pdf. Data for the average benefit in 2019 or 2021 are not available at the time of this report.

[32] PBGC studied 500 single-employer plans that were terminated between 1988 and 2012. See PBGC, *PBGC's Single-Employer Guarantee Outcomes*, May 2019, at https://www.pbgc.gov/sites/default/files/2016-single-employer-guaranty-study.pdf.

available).[33] The average monthly payment was $534 and the median monthly payment was $279. Approximately 41,000 participants received lump-sum payments in FY2019, and the average amount of the lump-sum payment was $2,481.[34]

[33] See PBGC Pension Insurance Data Book, 2019, Tables S-20, at https://www.pbgc.gov/sites/default/files/2019-pension-data-tables.pdf.

[34] See PBGC Pension Insurance Data Book, 2019, Table S-20. The data book does not provide similar information for multiemployer plans. In the multiemployer program, PBGC provides benefits to the plans, not directly to participants.

Table 4. PBGC Benefit Payments and Payees, FY2004-FY2019

(Single-Employer Insurance Program)

	Periodic Pension Payments				Lump-Sum Payments			
Fiscal Year	**Annual Total (Millions of Dollars)**	**Number of Payees in Year (Thousands)**	**Average Monthly Payment**	**Median Monthly Payment**	**Annual Total (Millions of Dollars)**	**Number of Payees in Year (Thousands)**	**Average Payment**	**Number of Deferred Payees (Thousands)**
2004	2,918	517	475	281	88	21	4,229	424
2005	3,607	683	487	286	78	17	4,633	489
2006	4,011	612	531	296	71	13	5,145	520
2007	4,179	630	539	281	87	17	5,154	534
2008	4,211	639	534	289	81	17	4,828	495
2009	4,409	743	598	305	69	12	4,289	565
2010	5,361	746	594	316	106	16	6,661	614
2011	5,172	775	579	287	168	48	3,517	595
2012	5,299	781	559	284	85	38	2,198	590
2013	5,386	799	539	283	63	39	1,600	600
2014	5,436	812	539	283	86	39	2,014	488
2015	5,486	825	536	279	84	40	2,054	560
2016	5,545	837	535	278	113	36	3,031	559
2017	5,578	839	535	278	121	40	2,535	552
2018	5,704	861	533	278	87	39	2,252	542
2019	5,917	886	534	279	103	41	2,481	555

Source: Pension Benefit Guaranty Corporation Pension Insurance Data Book, 2019, Table S-20.

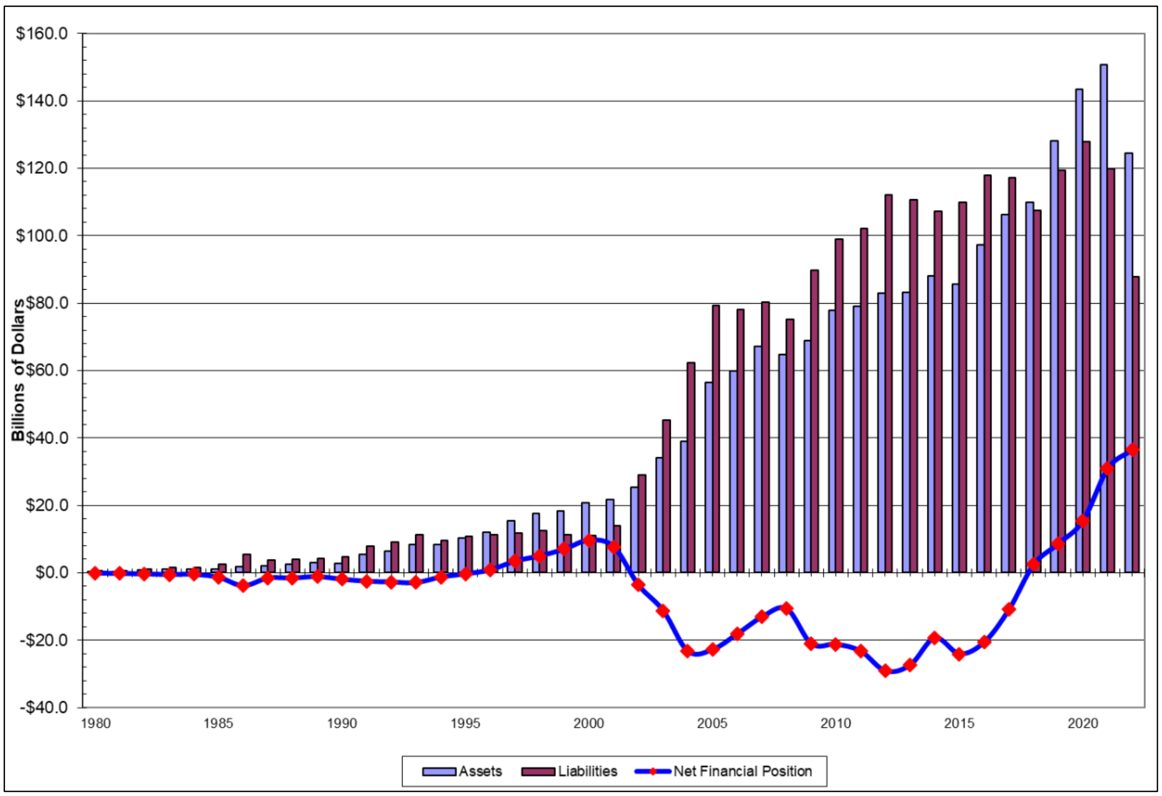
Notes: Deferred payees are participants who are owed, but not yet receiving, benefits under the plan. Data for FY2020-FY2022 are not available at the time of this report. Due to rounding of individual items, the average monthly payment may not be exactly equal to the total payments divided by the number of payees. Average monthly payment is not equal to annual total payments divided by number of payees because some payees did not receive benefits for all 12 months in a year.

Finances of the Single-Employer Insurance Program

Figure 1 displays the net financial position of PBGC's single-employer program from FY1980 to FY2022. In FY1996, PBGC showed a surplus in its single-employer program for the first time in its history. That surplus was $9.7 billion in FY2000, helped by the strong performance of the equity markets in the mid- and late 1990s. In FY2022, PBGC's single-employer program showed a surplus of $36.6 billion. The improvement in the financial condition of the single-employer program is a result of several factors, such as investment income (there had not been an investment loss from FY2009 to FY2021) and increase in premium income (premium income was 2.2 times greater in FY2022 compared to FY2012).[35]

Figure 1. Financial Position of PBGC Single-Employer Insurance Program, FY1980-FY2022

(Billions of Dollars)



Source: CRS using data from PBGC Pension Insurance Data Books and PBGC, *Annual Report 2020* and *2022 Annual Report*.

Multiemployer Pension Insurance Program

In the case of multiemployer plans, PBGC insures plan insolvency, rather than plan termination. Accordingly, a multiemployer plan need not be terminated to qualify for PBGC financial assistance. A plan is insolvent when its available resources are not sufficient to pay the plan benefits for the plan year in question, or when the sponsor of a plan in reorganization reasonably

35 See the **Appendix Historical PBGC Premium Rates** for the history of PBGC premium rates. See also PBGC, 2019 Data Book, Table S-2 and *PBGC Annual Report 2022*, p. 31.

determines, taking into account the plan's recent and anticipated financial experience, that the plan's available resources will not be sufficient to pay benefits that come due in the next plan year.

If it appears that available resources will not support the payment of benefits at the guaranteed level, PBGC will provide the additional resources needed as a loan, which PBGC indicates are rarely repaid.[36] PBGC may provide loans to the plan year after year. If the plan recovers from insolvency, it must begin repaying loans on reasonable terms in accordance with regulations. One multiemployer plan has repaid any of its financial assistance.[37]

Benefits for Participants in Multiemployer Pension Plans

PBGC guarantees benefits to multiemployer plans as it does for single-employer plans, although a different guarantee ceiling applies. Multiemployer plans determine benefits by multiplying a flat dollar rate by years of service, so the benefit guarantee ceiling is tied to this formula. The benefit guarantee limit for participants in multiemployer plans equals a participant's years of service multiplied by the sum of (1) 100% of the first $11 of the monthly benefit rate and (2) 75% of the next $33 of the benefit rate.[38] For a participant with 30 years of service, the guaranteed limit is $12,870.[39] This benefit formula is not adjusted for increases in the national wage index. PBGC estimated in 2015 that 79% of participants in multiemployer plans that receive financial assistance received their full benefit. However, in plans that may need financial assistance in the future, PBGC projected that only 49% of participants would receive their full benefit payment.[40] Among ongoing plans, the average benefit is almost twice as large as the average benefit in terminated plans.[41] This suggests that a larger percentage of participants in plans that receive PBGC financial assistance in the future are likely to see benefit reductions as a result of the PBGC maximum guarantee level.[42]

Special Financial Assistance (SFA)

PBGC administers the SFA program authorized in Section 9704 in Title IX, Subtitle H, of ARPA (P.L. 117-2). SFA provides financial assistance to eligible financially troubled multiemployer DB pension plans.[43] Section 9704 establishes a fund within the PBGC and appropriates from the

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[36] See PBGC, *PBGC Annual Report 2020*, p. 39.

[37] See PBGC, *2018 Pension Insurance Data Tables*, Table M-4, at https://www.pbgc.gov/sites/default/files/2018_pension_data_tables.pdf.

[38] An accrual rate is a factor in the pension benefit formula (expressed either as a dollar amount or as a percentage of salary) at which a pension benefit is earned. In single-employer pension plans, the pension benefits formula is typically expressed as the number of years participating in the plan times the accrual rate (e.g., 1% or 2%) times a measure of salary (e.g., the average of the participant's highest five years of salary). In multiemployer pension plans, the pension benefits formula is typically expressed as the number of months or years of service times a dollar amount.

[39] This is calculated as [30 × ((100% × $11) + (75% ×$33))] = $1,072.50 per month, which is $12,870 per year.

[40] See PBGC, *PBGC's Multiemployer Guarantee*, March 2015.

[41] Ongoing plans exclude (1) plans receiving financial assistance and (2) terminated plans expected to receive financial assistance.

[42] The average monthly benefit in terminated plans that are likely to receive PBGC financial assistance was $383.33; in plans that were projected to become insolvent within 10 years it was $546.17; and in remaining, ongoing plans it was $1,010.44. See Pension Benefit Guaranty Corporation, PBGC's Multiemployer Guarantee, March 2015, Figure 4, at https://www.pbgc.gov/documents/2015-ME-Guarantee-Study-Final.pdf. This study was conducted prior to the SFA program, so it is possible that some participants who were projected to receive benefit cuts are in plans that are eligible to apply for SFA.

[43] For more information on SFA, see CRS In Focus IF11765, *Special Financial Assistance to Multiemployer Plans* and

general fund "such amounts as are necessary" to provide special financial assistance to eligible multiemployer DB plans and necessary administrative and operating expenses. The amount of special financial assistance a plan can receive is the amount needed to pay participants' full plan benefits through the 2051 plan year. Unlike the financial assistance that insolvent multiemployer plans receive, plans that receive SFA do not have to repay it.

As of February 6, 2023, PBGC approved SFA applications for 65 multiemployer plans covering approximately 680,000 participants.[44] The dollar amount of SFA for these approved plans is approximately $45.8 billion.[45]

Finances of the Multiemployer Insurance Program

Table 5 provides data on the number of plans that have received financial assistance and SFA and the annual amounts of the financial assistance and SFA from FY1995 to FY2022. In FY2022, 115 multiemployer plans received financial assistance.[46] Approximately 94,000 multiemployer plan participants received financial assistance in FY2022, and approximately 46,000 participants will receive benefits in the future because they are not yet retired and are in plans that are currently receiving financial assistance.[47]

In FY2022 (the first fiscal year in which SFA was provided to plans), 29 multiemployer plans received $7.5 billion in SFA.[48]

Table 5. PBGC Multiemployer Insurance Program: Financial Assistance and Special Financial Assistance to Pension Plans, FY1995-FY2022

Year	Number of Plans Receiving Financial Assistance	Total Amount of Financial Assistance (Millions of Dollars)	Number of Plans Receiving Special Financial Assistance	Total Amount of Special Financial Assistance (Millions of Dollars)
1995	9	$4.3	-	-
1996	12	4.0	-	-
1997	14	4.5	-	-
1998	18	5.4	-	-
1999	21	19.2	-	-
2000	21	91.0	-	-
2001	22	4.5	-	-
2002	23	4.9	-	-
2003	24	5.0	-	-

CRS Report R46803, *Multiemployer Defined Benefit Pension Plans Potentially Eligible for Special Financial Assistance Under the American Rescue Plan Act*.

[44] Information on SFA applications is available at https://www.pbgc.gov/arp-sfa/sfa-applications.

[45] CBO estimated that the total amount of SFA would be $90.4 billion. See CBO, *Effect of the Pension Benefit Guaranty Corporation's Final Rule on Special Financial Assistance*, September 30, 2022, at https://www.cbo.gov/system/files/2022-09/58540-PBGC.pdf.

[46] See PBGC, *PBGC Annual Report 2022*, p. 32.

[47] See PBGC, *PBGC Annual Report 2022*, p. 2.

[48] See PBGC, *PBGC Annual Report 2022*, p. 32.

Year	Number of Plans Receiving Financial Assistance	Total Amount of Financial Assistance (Millions of Dollars)	Number of Plans Receiving Special Financial Assistance	Total Amount of Special Financial Assistance (Millions of Dollars)
2004	27	10.1	-	-
2005	29	13.8	-	-
2006	33	70.1	-	-
2007	36	71.9	-	-
2008	42	84.6	-	-
2009	43	85.6	-	-
2010	50	97.1	-	-
2011	49	114.3	-	-
2012	49	95.0	-	-
2013	44	89.0	-	-
2014	53	97.0	-	-
2015	57	103.0	-	-
2016	65	113.0	-	-
2017	72	141.0	-	-
2018	78	153.0	-	-
2019	85	160.0	-	-
2020	91	173.0	-	-
2021	109	230.0	-	-
2022	115	226.0	29	$7,526

Source: PBGC Pension Insurance Data Books and FY2022 Annual Report.

Figure 2 indicates that the financial condition of the multiemployer insurance program had been worsening in recent years. The deficit in the multiemployer insurance program increased from $8.3 billion in FY2013 to $42.4 billion in FY2014 and $65.1 billion in FY2017. The large increase in the deficit in FY2014 was the result of the increase in the likelihood of the insolvency of several large multiemployer pension plans in financial distress. The deficit then decreased to $53.9 billion in FY2018, increased to $65.2 billion in FY2019, and decreased to $63.7 billion in FY2020.

PBGC notes that the multiemployer program deficit would have increased in FY2020 if not for legislative action included in the Further Consolidated Appropriations Act of 2020 (P.L. 116-94).[49] A provision in this law provided financial assistance to the United Mine Workers of America (UMWA) 1974 Pension Plan, which was (prior to the financial assistance) projected to become insolvent in the 2022-2023 plan year. In 2017, the UMWA plan was in critical and declining status and had 96,324 participants.[50]

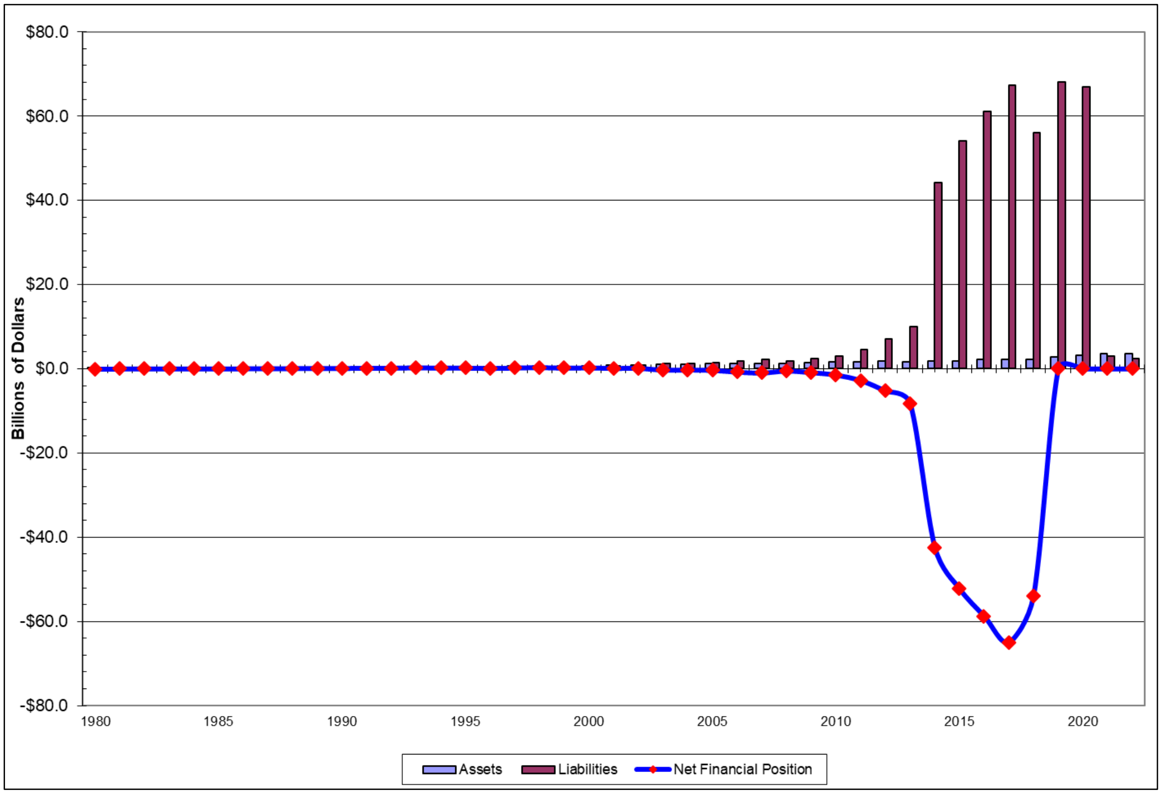
[49] See PBGC, *PBGC Annual Report 2020*, p. 39.

[50] For more data on multiemployer plans, see CRS Report R45187, *Data on Multiemployer Defined Benefit (DB) Pension Plans*. A plan is in critical and declining status if (1) it is in critical status and (2) the plan actuary projects that

The improvement in the FY2022 financial condition is a result of the enactment of SFA in ARPA that provides financial assistance to eligible multiemployer plans in poor financial condition. Prior to the enactment of ARPA, many plans were expected to receive financial assistance in the future and thus contributed to the multiemployer program's deficit. Under the SFA provision in ARPA, many of these plans will likely receive SFA, resulting in lower multiemployer program liabilities.

Figure 2. Financial Position of the Multiemployer Insurance Program of the Pension Benefit Guaranty Corporation, FY1980-FY2022

(Billions of Dollars)



Source: CRS using data from PBGC Pension Insurance Data Books, *Annual Report 2020* and *2022 Annual Report*.

Current Financial Status of PBGC

The most commonly used measure of PBGC's financial status is its net financial position, which is the difference between PBGC's assets and its liabilities. At the end of FY2022, PBGC's assets were $127.9 billion, PBGC liabilities were $90.3 billion, and its net financial position was a surplus of $37.6 billion.[51]

the plan will become insolvent within the current year or within either the next 14 years or the next 19 years, as specified in law. Plans in critical and declining status must provide notice to plan participants, beneficiaries, the collective bargaining parties, PBGC, and the Department of Labor.

[51] See PBGC, *2022 Annual Report*, page 30, at https://www.pbgc.gov/sites/default/files/documents/pbgc-annual-report-2022.pdf.

PBGC's main assets are the value of its trust fund and revolving funds.[52] The trust fund contains the assets of the pension plans of which PBGC becomes trustee and the returns on the trust fund investments. The revolving funds contain the premiums that plan sponsors pay to PBGC, transfers from the trust fund that are used to pay for participants' benefits, and returns on the revolving funds' investments in U.S. Treasury securities.

PBGC's main liabilities are the estimated present values of (1) future benefits payments in the single-employer program and (2) future financial assistance to insolvent plans in the multiemployer program.[53]

Table 6 provides information on the net financial position of PBGC from FY1999 through FY2022. In FY2021, PBGC had a surplus for the first time since FY2001.

Table 6. PBGC Single and Multiemployer Insurance Programs: Combined Net Financial Position, FY1999-FY2022

(Billions of Dollars)

Fiscal Year	Single-Employer Program	Multiemployer Program	Total PBGC Surplus / Deficit
1999	$7.0	$0.2	$7.2
2000	9.7	0.3	10.0
2001	7.7	0.1	7.8
2002	-3.6	0.2	-3.5
2003	-11.2	-0.3	-11.5
2004	-23.3	-0.2	-23.5
2005	-22.8	-0.3	-23.1
2006	-18.1	-0.7	-18.9
2007	-13.1	-1.0	-14.1
2008	-10.7	-0.5	-11.2
2009	-21.1	-0.9	-21.9
2010	-21.6	-1.4	-23.0
2011	-23.3	-2.8	-26.0
2012	-29.1	-5.2	-34.3
2013	-27.4	-8.3	-35.7
2014	-19.3	-42.4	-61.7
2015	-24.0	-52.3	-76.3
2016	-20.6	-58.8	-79.4
2017	-10.9	-65.1	-76.0

[52] Other assets include securities lending collateral and receivables.

[53] Other liabilities include payables. PBGC's benefit obligations are spread out over many years in the future. These future benefits are calculated and reported as current dollar values (also called present value). Benefits that are expected to be paid in a particular year in the future are calculated so they can be expressed as a current value. The process is called discounting and it is the reverse of the process of compounding, which projects how much a dollar amount will be worth at a point in the future. For more information, see the appendix in CRS Report R43305, *Multiemployer Defined Benefit (DB) Pension Plans: A Primer*.

Fiscal Year	Single-Employer Program	Multiemployer Program	Total PBGC Surplus / Deficit
2018	2.4	-53.9	-51.4
2019	8.7	-65.2	-56.5
2020	15.5	-63.7	-48.3
2021	30.9	0.5	31.4
2022	36.6	1.1	37.6

Source: PBGC Pension Insurance Data Books and PBGC, *PBGC Annual Report 2022*, p. 30.
Note: Total surplus / deficit might not sum due to rounding.

The weakness in the economy in 2001, particularly in the steel and airline industries, led to large and expensive plan terminations that created a deficit for PBGC. By the end of 2004, the single-employer program had a deficit of $23.3 billion. For the first time since FY2001, partly as a result of increases to the premiums that employers pay, the single-employer program showed a surplus in FY2018.[54]

The multiemployer program had a surplus from FY1982 through FY2002, but PBGC reported deficits from FY2003 through FY2020. PBGC had projected that the multiemployer program would very likely have become insolvent in FY2026 or FY2027.[55] However, the enactment of federal financial assistance to the UMWA 1974 Pension Plan in the Further Consolidated Appropriations Act of 2020 (P.L. 116-94) and of SFA in ARPA (P.L. 117-2) staves off the program's insolvency.[56] Both the single-employer and multiemployer programs are on the Government Accountability Office's (GAO's) list of high-risk government programs.[57]

Future Financial Condition

In its FY2021 Projections Report,[58] PBGC estimated its financial condition over the next 10 years. The report indicated that the single-employer program is likely to remain out of deficit over the next decade. The simulations estimated an average surplus of $53.3 billion in FY2031, and there were no scenarios over the next 10 years in which the single-employer program would become insolvent. In previous reports, PBGC had estimated that the multiemployer program would likely run out of money in FY2026, but, as a result of the enactment of SFA, PBGC estimated that the program is likely to remain solvent for the next 40 years.[59]

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[54] See PBGC, *PBGC Annual Report 2020*, p. 28.

[55] See PBGC Projections Report 2019, p. 7, at https://www.pbgc.gov/sites/default/files/fy-2019-projections-report.pdf and PBGC 2022 Annual Report.

[56] PBGC's 2021 Projections Report notes that, largely as a result of the SFA program, the multiemployer program is likely to remain solvent for more than 40 years. See PBGC, "PBGC Releases FY2021 Projections Report," press release, September 9, 2022, at https://www.pbgc.gov/news/press/releases/pr22-34.

[57] More information is available at http://www.gao.gov/highrisk/pension_benefit/why_did_study.

[58] The Projections Report was formerly called the Exposure Report. It is available at https://www.pbgc.gov/sites/default/files/documents/fy-2021-projections-report.pdf.

[59] To estimate the likelihood of PBGC's future financial condition, PBGC uses an internally developed computer modelling program that it calls the Pension Insurance Modelling System (PIMS). Separate models are used for the single-employer program (SE-PIMS) and the multiemployer program (ME-PIMS). For more discussion of PIMS, see Jeffrey R. Brown et al., *A Review of the Pension Benefit Guaranty Corporation Pension Insurance Modeling System*, Brookings Institution, September 11, 2013, at https://www.brookings.edu/wp-content/uploads/2016/06/PBGC-Review-Brown-Elliott-Gordon-Hammond-FINAL-09112013.pdf. See PBGC Projections Report 2019, p. 1.

PBGC and the Federal Budget

PBGC's budgetary cash flows are based on its premium income, interest income, SFA appropriations, benefit outlays, and the interaction of PBGC's trust and revolving funds. The trust fund contains the assets of the pension plans of which PBGC becomes trustee and the returns on the trust fund investments.[60] Revolving funds contain the premiums that plan sponsors pay to PBGC, transfers from the trust fund that are used to pay for participants' benefits, and returns on the revolving funds' investments in U.S. Treasury securities.

PBGC Trust Fund

When PBGC becomes trustee of a single-employer pension plan, the assets of the terminated pension plan are transferred to PBGC and placed in a nonbudgetary trust fund.[61] Transfers of assets to the trust fund do not appear in the federal budget and the assets of this trust fund do not appear on the federal balance sheet. The assets of the trust fund are managed by private sector money managers in accordance with an investment policy established by PBGC's board of directors. The current investment policy establishes asset allocations that depend on the funded status of the PBGC's single-employer program. The share allocated to equities ranges between 40% (when the funded ratio is 95% and below) and 15% (when the funded ratio is 120% and higher), and the share allocated to fixed income ranges between 60% (when the funded ratio is 95% and below) and 85% (when the funded ratio is 120% and higher).[62] Trust fund investments totaled $68.4 billion at the end of FY2022.[63]

PBGC Revolving Funds

ERISA authorized the creation of seven revolving funds for PBGC, although only three revolving funds have been used by PBGC. The revolving funds contain the premiums paid by single-employer and multiemployer pension plan sponsors, returns on revolving funds' investments, and transfers from the trust fund that are used to pay benefits. Each year, PBGC transfers funds from the trust fund to the revolving funds to pay for a share of participants' benefits.[64]

All revolving funds are invested in Treasury securities, though only certain revolving funds are required by law to be invested in Treasury securities.[65] The revolving funds' assets at the end of FY2022 were $2.4 billion for Fund 1, $3.1 billion for Fund 2, and $43.4 billion for Fund 7, for a total of $48.9 billion.[66]

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[60] For more information, see CBO, *A Guide to Understanding the Pension Benefit Guaranty Corporation*, September 2005, at http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/66xx/doc6657/09-23-guidetopbgc.pdf.

[61] When PBGC becomes trustee of a single-employer pension plan, the plan typically has assets in it. These assets are transferred to PBGC trust fund. PBGC does not become trustee of multiemployer plans, so it does not take any multiemployer plan assets.

[62] See PBGC, "Pension Benefit Guaranty Corporation Investment Policy Statement—April 2019," at https://www.pbgc.gov/sites/default/files/april-2019-ips-pbgc.pdf.

[63] See PBGC, 2022 *Annual Report*, p. 49.

[64] A GAO report indicated that the formula for the transfer is net trust fund assets divided by the present value of future benefits excluding probable terminations. See GAO, *Pension Benefit Guaranty Corporation: Asset Management Needs Better Stewardship*, GAO-11-271, June 2011, at http://www.gao.gov/new.items/d11271.pdf.

[65] See PBGC, *PBGC Annual Report 2022*, p. 49.

[66] See PBGC, *PBGC Annual Report 2022*, p. 49.

The revolving funds are on-budget accounts: increases or decreases in the revolving funds appear as on-budget federal receipts and outlays. The funds' gross outlays include PBGC benefit payments and administrative expenses and receipts include premiums paid, interest on federal securities, and reimbursements from the trust fund.

Because increases in the premiums paid by pension plan sponsors to PBGC are increases in federal revenue, some stakeholders and policymakers have criticized recent PBGC premium increases because they feel increases in premiums are used to offset other federal spending, do not address the financial condition of PBGC, and may discourage employers from maintaining their DB pension plans.[67]

Eighth Fund for SFA

ARPA established an eighth fund within PBGC and appropriates from the general fund "such amounts as are necessary" for 10 years to provide SFA and associated administrative and operating expenses. This eighth fund is the first time PBGC has had an appropriated fund.[68] PBGC estimated that it would provide total SFA ranging from $74 billion to $91 billion.[69]

Smaller Asset Managers Program

In 2015, PBGC established a pilot program to allow smaller investment firms to compete for contracts to manage portions of PBGC investments. The Smaller Assets Managers Program (SAMP) was designed to increase the diversity of PBGC's investment managers.[70] In June 2016, PBGC awarded five contracts to each manage $175 million of PBGC's fixed income portfolio.[71] Of the five firms selected, one was minority-owned, two were women-owned, and one was minority woman-owned.[72] After five years, each of the five smaller asset managers generated returns that exceeded the established benchmark.[73] In 2022, PBGC's board of directors approved making SAMP an ongoing program.

[67] See, for example, Rep. Mark Pocan, "Pocan, Renacci Introduce Bipartisan Legislation to Eliminate Budget Gimmick," press release, April 15, 2016, at https://pocan.house.gov/media-center/press-releases/pocan-renacci-introduce-bipartisan-legislation-to-eliminate-budget; and Interindustry Forecasting at the University of Maryland, *Increasing. Pension. Premiums: The Impact on Jobs and Economic Growth*, May 2014, at https://documents.nam.org/Nam.org_Web_Archive/www.nam.org/Data-and-Reports/Reports/Increasing-Pension-Premiums/Increasing-Pension-Premiums--The-Impact-on-Jobs-and-Economic-Growth-(Full-Report).pdf.

[68] See PBGC, PBGC Annual Report 2022, p. 67.

[69] See PBGC, PBGC Issues Final Rule on Special Financial Assistance, at https://www.pbgc.gov/news/press/releases/pr22-28.

[70] More information is available in PBGC, *Review of the PBGC Smaller Asset Manager Program*, at https://www.pbgc.gov/sites/default/files/documents/pbgc-smaller-asset-managers-pilot-program-final.pdf.

[71] PBGC, *Review of the PBGC Smaller Asset Manager Program*, p. 2.

[72] PBGC, *Review of the PBGC Smaller Asset Manager Program*, p. 3.

[73] PBGC, *Review of the PBGC Smaller Asset Manager Program*, p. 5.

Appendix. Historical PBGC Premium Rates

Table A-1 provides historical data on the single-employer program premium levels.

Table A-1. PBGC Single-Employer Program Premium Levels

	Authorizing Statute	Flat-Rate Premium	Variable-Rate Premium	Termination Premium
September 2, 1974-1977	Employee Retirement Income Security Act of 1974 (ERISA; P.L. 93-406)[a]	$1.00	-	-
1978-1985	Multiemployer Pension Plan Amendments Act of 1980 (MPPAA, P.L. 96-364)	$2.60	-	-
1986-1987	Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272)	$8.50	-	-
1988-1990	Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203)	$16.00	$6.00	-
1991-2005	Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508)	$19,00	$9.00	-
2006	Deficit Reduction Act of 2005 (P.L. 109-171)[b]	$30.00	$9.00	$1,250.00[c]
2007	-	$31.00	$9.00	$1,250.00
2008	-	$33.00	$9.00	$1,250.00
2009	-	$34.00	$9.00	$1,250.00
2010-2012	-	$35.00	$9.00	$1,250.00
2013	MAP-21 (P.L. 112-141)[d]	$42.00	$9.00	$1,250.00
2014	-	$49.00	$14.00	$1,250.00
2015	Continuing Appropriations Resolution, 2014 (P.L. 113-67)	$57.00	$24.00	$1,250.00
2016	-	$64.00	$30.00	$1,250.00
2017	Bipartisan Budget Act of 2015 (P.L. 114-74)[e]	$69.00	$34.00	$1,250.00
2018	-	$74.00	$38.00	$1,250.00
2019[f]	-	$80.00	$43.00	$1,250.00
2020	-	$83.00	$45.00	$1,250.00
2021	-	$86.00	$46.00	$1,250.00
2022	-	$88.00	$48	$1,250.00
2023	-	$96.00	$52	$1,250.00

Source: Congressional Research Service.

a. The Employee Retirement Income Security Act of 1974 (ERISA; P.L. 93-406) established the initial premium rate of $1.00 per participant.

b. The Deficit Reduction Act of 2005 (P.L. 109-171) adjusted the flat-rate premium annually for increases in the national wage index beginning in 2007.

c. The Pension Protection Act of 2006 (PPA; P.L. 109-280) provided for a special termination premium of $2,500 per participant for pension plans of commercial airlines that terminated within a five-year period that began with the year that a commercial airline plan adopted funding rules made available to commercial airlines in the PPA.

d. MAP-21 (P.L. 112-141) increased the variable-rate premium by $4 (after the 2013 level is adjusted for changes in the national wage index) per $1,000 of unfunded benefits in 2014, and by another $5 (after the 2014 level is adjusted for changes in the national wage index) per $1,000 of unfunded vested benefits in 2015. The Continuing Appropriations Resolution, 2014 (P.L. 113-67) increased the variable-rate premium in 2015 by $10 (after the 2014 level is adjusted for changes in the national wage index) per $1,000 of unfunded benefit and by another $5 in 2016 (after the 2015 premium is adjusted for changes in the national wage index).

e. The Bipartisan Budget Act of 2015 (P.L. 114-74) increased the flat-rate premium to $69 in 2017, $74 in 2018, and $80 in 2019, and increased the variable-rate premium by $3 in 2017, an additional $4 in 2018, and an additional $4 in 2019. After 2019, premiums are subject to indexing.

f. Section 206 of the Setting Every Community Up for Retirement Enhancement Act, enacted as Division O of P.L. 116-94, modified premiums for cooperative and small employer charity (CSEC) plans. For plan years beginning in 2019, CSEC pension plans—a type of single-employer plan sponsored by certain rural cooperative and 501(c)(3) charities—pay a $19 flat-rate premium and a $9 per $1,000 unfunded vested benefits variable rate premium. These premiums are not adjusted annually for inflation.

Table A-2 provides historical data on the multiemployer program premium levels.

Table A-2. PBGC Multiemployer Program Premium Levels

Year	Authorizing Statute	Premium Rate
September 2, 1974-1980	Employee Retirement Income Security Act of 1974 (ERISA; P.L. 93-406)	$0.50
September 1, 1979-September 26, 1980	Multiemployer Pension Plan Amendments Act of 1980 (MPPAA, P.L. 96-364)	$0.50-$1.00[a]
September 27, 1980-September 26, 1984	-	$1.40
September 27, 1984-September 26, 1986	-	$1.80
September 27, 1986-September 26, 1988	-	$2.20
September 27, 1988-December 31, 2005	-	$2.60
2006-2007	Deficit Reduction Act of 2005 (P.L. 109-171)	$8.00[b]
2008-2012	-	$9.00
2013	MAP-21 (P.L. 112-141)	$12.00
2014	-	$12.00
2015	The Multiemployer Pension Reform Act of 2014 (P.L. 113-235)	$26.00
2016	-	$27.00
2017	-	$28.00
2018	-	$28.00
2019	-	$29.00
2020	-	$30.00

2021	-	$31.00
2022	-	$32.00
2023	-	$35.00

Source: CRS and PBGC Premium Rates, at https://www.pbgc.gov/prac/prem/premium-rates.

Note: A provision in P.L. 117-2 increased the multiemployer premium in 2031 to $52 per participant beginning in 2031 and are to be adjusted for increases in the national average wage index thereafter.

a. $0.50 for plan year beginning in September 1979, growing gradually to $1.00 for plan years beginning September 1, 1980, to September 26, 1980.

b. From 2007 to 2012 and since 2016, this amount has been adjusted annually based on the national average wage index and rounded to the nearest multiple of $1.

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