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 30,500 private defined benefit plans. PBGC receives no funds from general tax revenues. Operations are financed by insurance premiums, investment income, assets from pension plans trusteed by PBGC, and recoveries from the companies formerly responsible for the trusteed plans.

To carry out these functions, PBGC issues regulations interpreting such matters as the termination process, establishment of procedures for the payment of premiums, reporting and disclosure, and assessment and collection of employer liability. The Corporation is committed to issuing simple, understandable, and timely regulations to help affected parties do business.

PBGC's intent is to issue regulations that implement the law in ways that do not impede the maintenance of existing defined benefit plans or the establishment of new plans. Thus, the focus is to avoid placing burdens on plans, employers, and participants, wherever possible. PBGC also seeks to ease and simplify employer compliance whenever possible.

PBGC Insurance Programs

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, PBGC pays guaranteed and certain other pension benefits to participants and beneficiaries if their plan terminates with insufficient assets (distress and involuntary terminations). The single-employer program had a $13.1 billion deficit at the end of fiscal year 2007.
- *Multiemployer Program.* The smaller multiemployer program covers about 1500 collectively bargained plans involving more than one unrelated employer. 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, had a $955 million deficit at the end of fiscal year 2007.

Recent Legislation

Early in 2005, the Administration proposed reforms to improve funding of plans and restore the financial health of the insurance program, which had a $233.billion deficit at the end of fiscal year 2004. Legislation signed into law in 2006 — the Deficit Reduction Act of 2005 (DRA 2005) and the Pension Protection Act of 2006 (PPA 2006) — contain various provisions intended to improve plan funding, enhance pension-related reporting and disclosure, and strengthen the insurance programs.

Regulatory Objectives and Priorities

PBGC's current regulatory objectives and priorities are to continue implementation of the PPA 2006 changes by issuing simple, understandable, and timely regulations that do not impose undue burdens that could impede maintenance or establishment of defined benefit plans. (PBGC has completed its implementation of DRA 2005.) These regulatory objectives and priorities are developed in the context of the Corporation's statutory purposes:

- To encourage voluntary private pension plans;
- To provide for the timely and uninterrupted payment of pension benefits; and
- To keep premiums at the lowest possible levels.

PBGC also attempts to minimize administrative burdens on plans and participants, improve transparency, simplify filing, and provide relief for small businesses. As mentioned below, the first set of rulemakings concerns premiums, disclosure of termination information, annual financial and actuarial reporting, treatment of bankruptcy filing date as termination date for certain purposes, multiemployer plan withdrawal liability, and missing participants.

The Corporation seeks to improve transparency of information to plan participants, investors, and PBGC, in order to better inform them and to encourage more responsible funding of pension plans. PPA 2006 contains provisions for disclosure of certain information to participants regarding the termination of their underfunded plan. PBGC published a proposed regulation on this disclosure of termination information in December 2007 and expects to publish a final regulation in October 2008.

PPA 2006 also makes changes to the plan actuarial and employer financial information required under section 4010 of ERISA to be reported to PBGC by employers with large amounts of pension underfunding. PBGC published a proposed regulation implementing those changes in February 2008 and expects to publish a final regulation in October 2008.

PBGC also seeks to simplify filing with PBGC by increasing use of electronic filing. Electronic filing of premium information has been mandatory for all plans for plan years beginning on or after January 1, 2007. Filers have a choice of using private-sector software that meets PBGC's published standards or using PBGC's software. Electronic premium filing simplifies filers' paperwork, improves accuracy of PBGC's premium records and database, and enables more prompt payment of premium refunds.

In December 2007 and March 2008, PBGC published final rules implementing most of the premium changes under PPA 2006. The Corporation has incorporated the changes to the flat-rate and variable-rate premiums into software so that it will be easy to comply with the premium changes under the new law.

Plan actuarial and employer financial information required under section 4010 of ERISA to be reported to PBGC by employers with large amounts of pension underfunding is required to be filed electronically. Electronic filing reduces the filing burden, improves accuracy, and better enables PBGC to monitor and manage risks posed by these plans. PBGC is incorporating the PPA 2006 changes to this reporting into software so that it will be easy to comply with the reporting changes under the new law.

In July 2008, PBGC published a proposed rule that would implement a PPA 2006 provision that treats the bankruptcy filing date as the plan termination date for purposes of determining the amount of benefits PBGC guarantees and the amount of assets allocated to participants who retired or have been retirement-eligible for three years. The provision applies to plans that terminate in a distress or involuntary termination while the sponsor is a bankruptcy proceeding that was initiated on or after September 16,

2006. PBGC expects to publish a final rule in 2009.

PPA 2006 provides for changes in the allocation of unfunded vested benefits to withdrawing employers from a multiemployer pension plan and requires adjustments in determining an employer's withdrawal liability when a multiemployer plan is in critical status. In March 2008, PBGC published a proposed rule to implement these provisions. The proposed rule also would provide new modifications to the statutory methods for determining an employer's allocable share of unfunded vested benefits and improve the process of fully allocating a plan's total unfunded vested benefits among liable employers in a plan terminated by mass withdrawal. PBGC expects to issue a final rule in October 2008.

PBGC gives consideration to the special needs and concerns of small businesses in making policy. A large percentage of the plans insured by PBGC are small or maintained by small employers. The first proposed rule PBGC published under PPA 2006 implemented the cap on the variable-rate premium for plans of small employers. In 2009, the Corporation expects to issue a proposed regulation implementing the expanded missing participants program under PPA 2006, which will also benefit small businesses.

PBGC will continue to look for ways to further improve its regulations.

BILLING CODE 7709-01-S