Description of document: Pension Benefit Guaranty Corporation (PBGC) Responses to Congressional Questions for the Record (QFR) 2017-2020

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Disclosure Officer
Pension Benefit Guaranty Corporation
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FOIAonline

PBGC

Protecting America's Pensions

Pension Benefit Guaranty Corporation
1200 K Street, N.W., Washington, D.C. 20005-4026

BY EMAIL: mikerav@verizon.net

PBGC 2020-002323

September 23, 2020

Re: Request for Congressional Questions and Agency Responses

I am responding to your Freedom of Information Act (FOIA) request received by the Disclosure Division on May 26, 2020. You requested a copy of the Questions For the Record (QFR) and Pension Benefit Guaranty Corporation's (PBGC) QFR responses to Congress during calendar years 2017, 2018, 2019 and 2020 to date. You authorized fees in the amount of $55.00. We processed your requests in accordance with the FOIA and PBGC's implementing regulation. Please accept my apology for the delay.

Pursuant to your request, the Office of Communications Outreach & Legislative Affairs (COLA) conducted a search of agency records to locate responsive documents. COLA located 4 pages[1] responsive to your request. I have determined the following may be disclosed you as described below:

- PBGC Letter from Honorable Tim Walberg, dated April 20, 2018 (2 pages); and
- PBGC QFR Response Hearing on November 29, 2017, undated (2 pages).

Although this response does not constitute a denial of records request, I am providing you with your FOIA appeal rights should you wish to avail yourself of this process. The FOIA provides at 5 U.S.C. § 552(a)(6)(A)(i) (2015), amended by FOIA Improvement Act of 2016, Pub. L. No. 114-185, 130 Stat. 538, that if a disclosure request is denied in whole or in part by the Disclosure Officer, the requester may file a written appeal within 90 days from the date of the denial or, if later (in the case of a partial denial), 90 days from the date the requester receives the disclosed material. The PBGC's FOIA regulation provides at 29 C.F.R. § 4901.15 (2017) that the appeal shall state the grounds for appeal and any supporting statements or arguments, and shall be addressed to the General Counsel, Pension Benefit Guaranty Corporation, 1200 K Street, N.W., Washington, D.C. 20005. To expedite processing, the words "FOIA Appeal" should appear on the letter and prominently on the envelope.

In the alternative, you may contact the Disclosure Division's Public Liaison at 202-326-4040 for further assistance and to discuss any aspect of your request. You also have the option to contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA mediation services they offer. The contact information for OGIS is as follows: Office of

[1] The FOIA establishes that an agency record is a record that is in the possession and control of the agency upon receipt of a FOIA request. Congressional records are not considered agency records when Congress has "manifested an intent to exert control over those records." "'Congressional records' may include records received by an agency from Congress, or include records generated by an agency in response to a confidential congressional inquiry." *See* https://www.justice.gov/sites/default/files/oip/legacy/2014/07/23/procedural-requirements.pdf#p14.

Government Information Services, National Archives and Records Administration, 8601 Adelphi Road-OGIS, College Park, Maryland 20740-6001; e-mail at ogis@nara.gov; telephone at 202-741-5770; toll free at 1-877-684-6448; or facsimile at 202-741-5769.

This completes processing of your request. Since your fees[2] are below the nominal fee threshold of $25.00, there is no cost for processing your request. You may submit future requests for PBGC records by accessing FOIAonline, our electronic FOIA processing system, at https://foiaonline.regulations.gov, or by email to Disclosure@pbgc.gov.

Sincerely,

D. Camilla Perry
Disclosure Officer
Office of General Counsel
General Law and Operations Department

Enclosures

[2] The FOIA Improvement Act of 2016 precludes an agency from charging search fees to a FOIA requester if the agency does not meet the FOIA's twenty-day time limit. As such, we did not assess search fees for this request.

COMMITTEE ON EDUCATION
AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES
2176 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

April 20, 2018

The Honorable W. Thomas Reeder
Director
Pension Benefit Guaranty Corporation
1200 K Street, NW
Washington, DC 20005

Dear Director Reeder:

Thank you again for testifying at the November 29, 2017, Subcommittee on Health, Employment, Labor, and Pensions hearing on "Financial Challenges Facing the Pension Benefit Guaranty Corporation: Implications for Pension Plans, Workers, and Retirees."

Please find enclosed additional questions submitted by Committee members following the hearing. Please provide a written response no later than May 11, 2018, for inclusion in the official hearing record. Your response should be sent to Olivia Voslow of the Committee staff, and she can be contacted at (202) 225-7101.

We appreciate your contribution to the work of the Committee.

Sincerely,

Tim Walberg

Tim Walberg
Chairman
Subcommittee on Health, Employment, Labor, and Pensions

Enclosure

Questions for the Record
Hearing: "Financial Challenges Facing the Pension Benefit Guaranty Corporation: Implications for Pension Plans, Workers, and Retirees"
November 29, 2017

Ranking Member Sablan (MP)

1. The PBGC's maximum guarantee in its single employer program is presently $64,432, and it will increase to $65,045 in 2018. Meanwhile, the maximum guarantee in the multiemployer program is $12,870. The multiemployer guarantee has not been increased since 2001, and is not indexed for inflation. I am concerned whether a retiree can sustain a secure retirement, or even survive, on $12,870 — at most. Has the PBGC and/or the Administration done an analysis and/or produced any estimate on what it would cost to raise the maximum guarantee by $500, $1000, $5000, $10,000 or if Congress doubled it? If so, please provide that complete analysis and/or estimate to us and include a summary of it.

Rep. Ron Estes (KS)

1. Is it in the best interest of the PBGC to keep troubled plans solvent and avoid PBGC assistance and benefit reductions to the PBGC levels?

2. The FY2017 PBGC Annual Report states the Single-Employer Program has a $10.9 billion deficit. PBGC collected approximately $6.7 billion in premiums. How do you value PBGC's statutory directive/right to receive nearly $7 billion in premiums every year in this deficit calculation?

Questions for the Record
Hearing: "Financial Challenges Facing the Pension Benefit Guaranty Corporation: Implications for Pension Plans, Workers, and Retirees"
November 29, 2017

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1. **The PBGC's maximum guarantee in its single employer program is presently $64,432, and it will increase to $65,045 in 2018. Meanwhile, the maximum guarantee in the multiemployer program is $12,870. The multiemployer guarantee has not been increased since 2001, and is not indexed for inflation. I am concerned whether a retiree can sustain a secure retirement, or even survive, on $12,870 - at most. Has the PBGC and/or the Administration done an analysis and/or produced any estimate on what it would cost to raise the maximum guarantee by $500, $1000, $5000, $10,000 or if Congress doubled it? If so, please provide that complete analysis and/or estimate to us and include a summary of it.**

RESPONSE

Under current law PBGC guarantees a multiemployer plan participant's monthly benefit up to 100% of the first $11 per year of service *plus* 75% of the next $33 per year of service. For example, for a participant who has 30 years of service, PBGC guarantees the plan benefit up to $12,870 per year [[$11(100%) + $33(75%)] x 30 = $1,072.50 per month or $12,870 per year].

PBGC has estimated the cost of three alternatives that would result in higher guarantees than are payable under current law. Alternative 1 doubles the guarantee under the current two-tier structure. Alternatives 2 and 3 significantly increase the guarantee under the 100% guarantee tier and eliminate the 75% tier.

The table below shows the estimated cost (i.e., financial assistance payments that insolvent plans would need to pay guaranteed benefits) under the current law and the alternative guarantees, over 10 and 20 years. The 20-year cost is more than double the 10-year cost because more and larger plans are expected to require financial assistance from PBGC over time. The analysis assumes that the alternative guarantees would be applied only to plans that become insolvent in the future and not to plans that are already receiving financial assistance. The analysis also assumes a change in law to provide PBGC enough money to pay these amounts, but no other changes in law.

Comparative Cost of Current Law and Alternative Monthly Benefit Guarantee Levels			
		Estimated PBGC Financial Assistance to Insolvent Plans [1]	
		FY 2018 –2027 (10 years)	FY 2018 –2037 (20 years)
Current law	100% of the first $11 per year of service *plus* 75% of the next $33 per year of service	$11.4 billion	$47.0 billion
Alternative 1	Double the current guarantee to 100% up to $22 *plus* 75% of the next $66	$16.7 billion	$71.8 billion
Alternative 2	Guarantee 100% up to $50 per year of service	$15.1 billion	$63.0 billion
Alternative 3	Guarantee 100% up to $100 per year of service	$18.0 billion	$80.0 billion

[1] The analysis assumes that the alternative guarantees would be applied only to plans that become insolvent in the future and not to plans that are already receiving financial assistance. The analysis assumes a change in law to provide PBGC enough money to pay these amounts, but no other changes in law.

Rep. Ron Estes (KS)

1. **Is it in the best interest of the PBGC to keep troubled plans solvent and avoid PBGC assistance and benefit reductions to the PBGC levels?**

   RESPONSE

   Under current law, PBGC pays financial assistance to insolvent multiemployer plans to enable them to pay benefits at the PBGC-guaranteed level. Financial assistance also covers reasonable administrative expenses of insolvent plans.

   In PBGC's most recent Projections Report (FY 2017), the agency projects that the assets of the Multiemployer Insurance Program are highly likely to be depleted during FY 2025, making PBGC insolvent, absent a change in law. Of course, the amounts that the Program would need to avoid insolvency would be much less if troubled plans were able to remain solvent without PBGC financial assistance.

   When the Multiemployer Insurance Program becomes insolvent, the only money available to pay financial assistance will be annual premium payments from multiemployer plans. These premium payments under current law fall far short of amounts needed to pay guaranteed benefits. The consequences will be financially devastating for many plan participants and their families.

   The President's FY 2019 Budget contains a proposal to shore up the Multiemployer Program. The budget proposes to create a new variable rate premium and an exit premium in the Multiemployer Program, estimated to raise an additional $16 billion in premium revenue over the 10-year budget window. The proposal includes a provision allowing for a waiver of the additional premium if needed to avoid increasing the insolvency risk of the most troubled plans.

2. **The FY2017 PBGC Annual Report states the Single-Employer Program has a $10.9 billion deficit. PBGC collected approximately $6.7 billion in premiums. How do you value PBGC's statutory directive/right to receive nearly $7 billion in premiums every year in this deficit calculation?**

   RESPONSE

   PBGC's annual financial statements provide a snapshot of the assets and liabilities of each of PBGC's two insurance programs. PBGC's balance sheet includes accumulated premiums that were paid or receivable for periods before the end of PBGC's fiscal year. PBGC's financial statements do not include the value of premium payments expected for future fiscal years.

   Premiums that PBGC expects to receive in future fiscal years are reflected in PBGC's annual Projections Report, which is published separately from the financial statements. The FY 2017 Projections Report includes a 10-year projection of the financial position of the Single-Employer Program and the Multiemployer Insurance Program. The starting point for the projections is the financial position of each program at the end of the fiscal year preceding the projection period.

   PBGC premiums are set by Congress. The premium structure for the Single-Employer Program consists of a flat-rate per participant amount and a variable-rate premium on unfunded vested benefits, subject to a per participant cap. For plan years beginning in 2019: the flat-rate premium is $80 per participant (up from $74 for 2018); and the variable-rate premium is $43 per $1,000 of unfunded vested benefits (up from $38 in 2018). For 2019, the variable-rate premium is capped at $541 times the number of participants (up from a 2018 cap of $523). After 2019, all rates are subject to indexing. There are no scheduled increases (other than indexing) for plan years beginning after 2019. The FY 2017 Projections Report estimated $37 billion as the average (mean) present value of single-employer premiums over the 10-year period FY 2018 - FY 2027.