PBGC
Pension Benefit Guaranty Corporation

Annual Report 2021

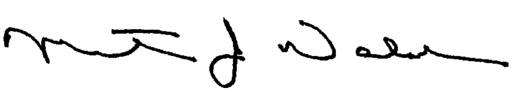
A MESSAGE FROM OUR CHAIR

The Biden Administration is dedicated to protecting retirement security for all workers in America. The Pension Benefit Guaranty Corporation (PBGC) has an important role in ensuring that workers have every opportunity to retire with dignity and financial stability. Today, hundreds of thousands of retirees currently receive $6.4 billion annually from PBGC and more than 33 million workers and retirees are in plans insured by PBGC. The future of PBGC's insurance programs are vital to the retirement security of the millions of workers and retirees in defined benefit plans.

On behalf of the PBGC Board of Directors, I am pleased to present PBGC's FY 2021 Annual Report, which provides important information about PBGC's operations and finances. The report highlights many of PBGC's accomplishments over this past fiscal year to preserve plans and protect pensions, including achieving its 29th consecutive unmodified audit opinion.

As you will see in the following pages, the momentous coronavirus relief legislation passed in 2021, the American Rescue Plan Act (ARP), has significantly improved the net position of PBGC's Multiemployer Program. The Special Financial Assistance Program established by ARP is expected to provide critical assistance to more than 250 eligible plans covering over 3 million people. Through PBGC's commitment and dedication, it set up the program within the statutory deadlines by publishing the Interim Final Rule establishing application procedures and processes and updating the e-filing portal to allow for electronic application submissions. PBGC is also working hard to finalize the program rule and review applications it has already received.

The strength and future of PBGC's insurance programs are vital to the retirement security of the millions of workers and retirees in defined benefit plans. My fellow Board members, Treasury Secretary Janet Yellen and Commerce Secretary Gina Raimondo, and I are proud of the work PBGC has accomplished to provide a more secure future for America's workers and retirees. We are confident that PBGC will continue to work toward financially sound insurance programs to protect the retirement savings of America's workers and retirees.



Martin J. Walsh
Secretary of Labor
Chair of the Board

A MESSAGE FROM THE DIRECTOR

The Pension Benefit Guaranty Corporation (PBGC or the Corporation) guarantees the hard-earned pension benefits of over 33 million of America's workers and retirees. PBGC's team of dedicated professionals are passionate about the Corporation's mission and understand the significant impact of their work. In 2021, PBGC was once again named one of the "Best Places to Work in the Federal Government," coming in 4th among small agencies. It remains an honor and privilege to lead PBGC's talented staff as we strive to fulfill our vital mission.

Fiscal Year (FY) 2021 marks a significant milestone for PBGC's Multiemployer Program with the enactment of the American Rescue Plan Act of 2021 (ARP). Prior to enactment of ARP, PBGC's Multiemployer Program was expected to run out of money by 2026. ARP's Special Financial Assistance (SFA) Program will significantly extend the solvency of the Multiemployer Program by at least thirty years. While future reforms would help improve the long-term health and resilience of the multiemployer system, ARP has provided a financial lifeline, and the effects of that are clear.

For the first time in almost twenty years, both PBGC's Multiemployer Program and Single-Employer Program have a positive net position at fiscal year-end. The Multiemployer Program's positive net position of $481 million at the end of FY 2021 is in sharp contrast to the negative net position of $63.7 billion at the end of FY 2020, a drastic improvement of $64.2 billion. PBGC's Single-Employer Program remains financially healthy with a positive net position of $30.9 billion at the end of FY 2021, compared to $15.5 billion at the end of FY 2020, an improvement of $15.4 billion.

The SFA Program is expected to provide funding to over 250 severely underfunded pension plans and will ensure that over three million of America's workers, retirees, and their families receive the pension benefits they earned through many years of hard work. PBGC is working expeditiously to implement the SFA Program by issuing regulations and guidance, developing internal controls to mitigate risks, and processing applications for financial assistance.

In FY 2021, PBGC also continued to improve the agency's IT infrastructure, services, and security posture. These improvements resulted in PBGC achieving for the first time in the agency's history the highest possible ratings on the following scorecards — "managing risk" on the White House Office of Management and Budget's (OMB) Risk Management Scorecard; "effective" against the OIG FISMA Metrics; and achieving all Cybersecurity Cross Agency Priorities (Cyber CAP) goals. Among recent IT modernization improvements, My Plan Administration Account (My PAA) — PBGC's premium filing application for practitioners — released a new version to further streamline processes. PBGC also introduced a new version of its My Pension Benefits Access (MyPBA) portal for participants. The MyPBA enhancements provide an extra layer of security through two-factor authentication.

The FY 2021 Annual Report is the 29th consecutive year the agency has received an unmodified audit opinion on its financial statements and the sixth consecutive year of an unmodified audit opinion on internal control over financial reporting. Additionally, as required by OMB Circular A-136, I am pleased to confirm with reasonable assurance the completeness and reliability of the data presented in the FY 2021 Annual Management Report and the FY 2021 Annual Performance Report, included in this Annual Report.

I am proud to lead PBGC to provide the highest-level of customer support to workers and retirees, ensure its viability, and help it prepare for the future. Our achievements are due to the efforts of PBGC's talented staff, and the ongoing support of our Board and their staff.

Gordon Hartogensis
Director
November 15, 2021

FISCAL YEAR (FY) 2021 ANNUAL REPORT

This annual report is prepared to meet applicable legal requirements and is in accordance with and pursuant to the provisions of: the Government Corporation Control Act, 31 U.S.C. Section 9106; Circular No. A-11, Revised, "Preparation, Submission and Execution of the Budget," Office of Management and Budget, August 6, 2021; and Circular No. A-136 Revised, Financial Reporting Requirements (i.e., Government Corporations are only required to adhere to Section I.5 and Section V, and PBGC voluntary complies with Section II.2.4) Office of Management and Budget, August 10, 2021. Section 4008 of the Employee Retirement Income Security Act of 1974 (ERISA), 29 U.S.C. Section 1308, also requires an actuarial report evaluating expected operations and claims that will be issued as soon as practicable.

ANNUAL PERFORMANCE REPORT

The Pension Benefit Guaranty Corporation (PBGC or the Corporation) protects the retirement security of over 33 million American workers, retirees, and beneficiaries in single-employer and multiemployer private sector pension plans. The pension benefits of these participants are valued at more than $3 trillion. The Corporation's two insurance programs are legally separate and operationally and financially independent.

The Single-Employer Program is financed by insurance premiums, investment income, and recoveries from companies formerly responsible for the plans. Congress sets PBGC premium rates.

The Multiemployer Program is financed by premiums and investment income. The American Rescue Plan (ARP) Act of 2021 — a historic law passed by Congress and signed by President Biden on March 11, 2021 — established the Special Financial Assistance (SFA) Program for certain financially troubled multiemployer plans. The SFA Program is financed by general taxpayer funds provided by the U.S. Treasury. Additionally, the law addresses the solvency of the Multiemployer Program, which was projected to become insolvent in 2026.

The SFA Program is expected to provide financial assistance to more than 250 eligible plans covering over 3 million people. Upon approval of an application, PBGC will make a single, lump-sum payment to an eligible multiemployer plan to enable the plan to pay benefits at plan levels. SFA also assists plans by providing funds to reinstate previously suspended benefits and repay financial assistance received from PBGC's Multiemployer Program.

The Corporation achieves its mission through three strategic goals:

1. Preserve plans and protect the pensions of covered workers and retirees.
2. Pay pension benefits on time and accurately.
3. Maintain high standards of stewardship and accountability.

OPERATIONS IN BRIEF

Since the enactment of the Employee Retirement Income Security Act of 1974 (ERISA), PBGC has strengthened retirement security by preserving plans and protecting benefit payments to participants and their families. In FY 2021, the Corporation made benefit payments of over $6.4 billion to nearly 970,000 participants. See FY 2021 Operations in Brief table below.

FY 2021 OPERATIONS IN BRIEF[1]

	2021 Target	2021 Actual	2020 Actual
GOAL 1: Preserve Plans and Protect Pensions			
Single-Employer Plan Participants Protected – Employers Emerging from Bankruptcy During the Year		99,345	127,000
Single-Employer Plan Standard Termination Audits: Additional Payments		$2.6M paid to 1,462 participants	$1.9M paid to 1,909 participants
Single-Employer Benefit Payments for Terminated Plans			
• Participants Receiving Benefits		970,000	984,000
• Benefits Paid		Over $6.4B	Over $6.1B
• Participants Expected to Receive Future Benefits		570,000	552,000
Multiemployer Plan Financial Assistance		$230M to 109 plans	$173M to 95 plans
Multiemployer Participants in Insolvent Plans			
• Participants Receiving Benefits		80,786	79,600
• Participants Expected to Receive Future Benefits		37,172	27,600
GOAL 2: Pay Timely and Accurate Benefits			
Estimated Benefits Within 10% of Final Calculation	95%	98%	96%
Average Time to Provide Benefit Determinations (Years)	5.0	5.90	5.3
Improper Payment Rates Within OMB Threshold[2]	<1.5%	Yes	Yes
Applications Processed in 45 Days or Less	87%	78%	78%
GOAL 3: Maintaining High Standards of Stewardship and Accountability			
Retiree Satisfaction – ACSI Score[3]	90	88	89
Participant Caller Satisfaction – ACSI Score	85	76	81
Premium Filer Satisfaction – ACSI Score	74	77	76
Single-Employer – Financial Net Position		$30.9B	$15.5B
Multiemployer – Financial Net Position		$0.5B	($63.7B)
Unmodified Financial Statement Audit Opinion	Yes	Yes	Yes

[1] Numbers in this report have been rounded.
[2] The Office of Management and Budget (OMB) threshold for significant improper payment reporting is as follows: amounts that exceed (1) both 1.5 percent of program outlays and $10,000,000 of all program or activity payments made during the fiscal year reported or (2) $100,000,000 (regardless of the improper payment percentage of total program outlays)
[3] The American Customer Satisfaction Index (ACSI) uses a 0-100 scale; 80 or above is considered excellent.

STRATEGIC GOALS AND RESULTS

PBGC's FY 2021 Annual Performance Report details the Corporation's achievements, accomplishments, and performance results on its three strategic goals.

GOAL NO. 1: PRESERVING PLANS AND PROTECTING PENSIONERS

PBGC engages in activities to preserve plans and protect participants by administering two separate insurance programs. The Multiemployer Program protects about 10.9 million workers and retirees in about 1,360 pension plans. The Single-Employer Program protects about 22.7 million workers and retirees in about 23,900 pension plans.

MULTIEMPLOYER PROGRAM

The Multiemployer Program covers defined benefit pension plans that are created through one or more collective bargaining agreements between employers and one or more employee organizations or unions. The employers are usually in the same or related industries, such as transportation, construction, mining, and hospitality. PBGC provides financial assistance to insolvent plans to allow them to pay guaranteed benefits and reasonable administrative expenses.

In FY 2021, PBGC provided $230 million in financial assistance to 109 multiemployer plans covering 80,786 participants receiving guaranteed benefits. An additional 37,172 participants in the insolvent plans are eligible to receive benefits once they retire. Due to the enactment of ARP, the number of participants relying on traditional financial assistance under section 4261 of ERISA will decrease to 52,982 participants receiving guaranteed benefits and 20,395 participants eligible to receive benefits once they retire, after all insolvent plans expected to be eligible for SFA apply, are approved by PBGC and receive their SFA payments.

The Corporation initiated audits of seven terminated or insolvent multiemployer plans covering nearly 10,000 participants. The objectives of the audits are to ensure timely and accurate benefit payments to all participants, compliance with laws and regulations, and effective and efficient management of the remaining assets in terminated and insolvent plans.

PBGC regularly provides informal consultations to plan sponsors and practitioners on partition and merger applications, alternative withdrawal liability requests, plan insolvency, and Title IV compliance issues to assist plans in making their formal requests to PBGC more efficient and effective.

Special Financial Assistance Program

ARP, enacted on March 11, 2021, added section 4262 of ERISA, which created the SFA Program for certain financially troubled multiemployer plans. The amount of SFA to which an eligible plan may be entitled is the amount required to pay all benefits due through 2051. PBGC estimates that more than 250 plans may be eligible for SFA and is now accepting initial SFA applications.

In FY 2021, to establish SFA Program operations, PBGC:

- Implemented the program with the publication of the Interim Final Rule establishing application procedures and processes.

- Updated the multiemployer e-filing portal to accommodate electronic submissions of SFA applications.
- Centralized resource information on PBGC.gov, such as the interim final rule, guidance documents, and templates.
- Conducted two webinars for plans and practitioners covering a wide range of SFA- related topics.
- Hired an additional 61 professional staff for the SFA Program.
- Prepared, finalized, and implemented multiple interdepartmental processes, procedures, and controls.
- Initiated development of audit procedures and processes for plans that receive SFA.

As of September 30, 2021, PBGC received 19 applications requesting a total of $3.2 billion dollars in SFA. All applications were under review as of that time.

Extending Plan Solvency and Mitigating Risks to the Multiemployer Program

PBGC has been concerned for several years about Split Plan arrangements that Isolate Legacy Liabilities (SPILL). A SPILL occurs when a multiemployer plan is frozen, and a new multiemployer plan is created for future benefit accruals. Contributions are split between the legacy plan and the new plan, increasing the risk of underfunding the legacy plan.

In January 2013, the bargaining parties took a series of actions, including the creation of a new plan through a SPILL, that resulted in the allocation of more than $100 million in contributions to the new plan that might otherwise have been made to the Food Employers Labor Relations Association (FELRA)/United Food and Commercial Workers union (UFCW) plan. The FELRA/UFCW plan is a severely underfunded multiemployer plan that covers approximately 50,000 grocery and warehouse workers and retirees in the District of Columbia metropolitan area. These actions accelerated the insolvency of the FERLA/UFCW plan and threatened to place additional burdens on PBGC's Multiemployer Program.

In FY 2021, PBGC entered into a settlement agreement with FELRA, UFCW, and the FELRA/UFCW Pension Fund.

To address these concerns, the settlement agreement required the two plans to combine, which extended the FELRA/UFCW plan's projected solvency, and required the combined plan to terminate by mass withdrawal. The two large contributing employers agreed to make withdrawal liability payments to the plan for 25 years totaling approximately $56 million annually. In return, the employers will be released from further withdrawal liability to the FELRA/UFCW plan. This settlement is expected to reduce the amount of PBGC financial assistance that the FELRA/UFCW plan will require when it becomes insolvent.

PBGC began investigating seven other SPILL transactions. In each case, PBGC has received responses to information requests issued to the boards of the legacy and follow-on plans.

Multiemployer Pension Reform Act of 2014 (MPRA)

The Multiemployer Pension Reform Act of 2014 (MPRA) enables certain plans to avoid insolvency by permitting the plan sponsor to suspend benefits, and, if necessary, by transferring financial responsibility for some or all guaranteed benefits to PBGC through a partition.

In FY 2021, PBGC did not receive any partition applications but continued to review the two partition applications submitted during FY 2020. Both applications were withdrawn during FY 2021, one due to issues with the application and the other as a result of the enactment of ARP.

Multiemployer Plan Withdrawal Liability, Plan Mergers and Transfers

PBGC approval is required for a multiemployer plan to adopt an alternative method for allocating unfunded vested benefits in determining withdrawal liability. PBGC began FY 2021 with two requests for approval of alternative rules pending. As of the fourth quarter, three requests are pending, and no requests have been approved.

A multiemployer plan may adopt alternative terms and conditions for satisfaction of withdrawal liability if those terms and conditions are consistent with ERISA and PBGC regulations. Plans sometimes request PBGC's determination that proposed alternative terms are consistent with ERISA and PBGC regulations. PBGC began FY 2021 with one pending request, which was later denied.

An employer that withdraws from a construction or entertainment industry plan is generally not subject to withdrawal liability. PBGC may, by regulation, authorize a plan in other industries to adopt a similar rule if PBGC determines it is appropriate to do so and doing so would not pose a significant risk to PBGC. PBGC began FY 2021 with three pending requests. All three were closed because the plans' boards either expressly withdrew or decided not to pursue their request.

A multiemployer plan merging with or transferring assets and liabilities to another multiemployer plan must provide PBGC with notice. The plan trustees may request a compliance determination from PBGC, which, if granted, provides a safe harbor from certain prohibited transaction provisions of Title I. In FY 2021, PBGC received twelve notices of merger, eight of which were accompanied by a request for a compliance determination, and four notices of transfer, all of which were accompanied by a request for a compliance determination. All requests have been completed except for one merger compliance determination is under review.

SINGLE-EMPLOYER PROGRAM

The Single-Employer Program covers defined benefit pension plans that generally are sponsored by a single employer. When an underfunded single-employer plan terminates, PBGC steps in to pay participants' benefits up to legal limits. This typically happens when the employer sponsoring an underfunded plan goes bankrupt, ceases operation, or can no longer afford to keep the plan going. PBGC takes over the plan's assets, administration, and payment of benefits, up to the legal limits. If a plan has enough money to pay all benefits owed to participants and beneficiaries, the plan sponsor can choose to terminate a plan by filing a standard termination. In a standard termination, PBGC does not become responsible for benefit payments.

As part of its risk mitigation activities, PBGC monitors and identifies transactions and events that may pose risks to participants. The Corporation works collaboratively with employers to better safeguard pension benefits.

Standard Terminations

A standard termination is a termination of a pension plan that has enough money to pay all benefits owed to participants and beneficiaries.

In FY 2021, 1,574 plans, covering approximately 145,000 participants, filed standard terminations with PBGC. The number of terminations received last year is in line with the average of the five previous years.

Approximately 1,880 plans with an aggregate of more than 205,000 participants completed standard terminations in FY 2021 by paying full plan benefits to participants and beneficiaries in the form of annuities or lump sums. Some of the larger standard terminations were Trinity Industries Inc. Consolidated Pension Plan; GPI US Consolidated Pension Plan; Retirement Income Plan for Darden Restaurants Inc.; Perdue Retirement Account Plan & The Pension Plan for Union-Represented Associates; Flower Foods Inc. Retirement Plan No. 1; and Indiana University Health Defined Benefit Plan.

PBGC completed 246 standard termination audits in FY 2021 to verify plan administrators' calculation of participants' benefits upon plan termination. These audits discovered errors that have since been corrected by the plan administrators, resulting in more than $2.6 million in additional benefits distributed to 1,462 participants in these plans.

Significant Litigation

PBGC protects participants in private sector pensions through litigation in federal and state courts. In FY 2021:

- The U.S. Court of Appeals for the Eleventh Circuit affirmed the district court grant of summary judgment for PBGC in *PBGC v. 50509 Marine LLC*. The court of appeals agreed with PBGC that, on the particular facts of the case, several entities owned by the owner of the plan sponsor on the date of plan termination were in the controlled group and liable to PBGC. The Supreme Court has denied the defendants' petition for certiorari.
- The U.S. Court of Appeals for the D.C. Circuit ruled in PBGC's favor in *Lewis v. PBGC*. The court summarily affirmed the district court's holdings that PBGC properly determined benefits and no separate cause of action is available to the plaintiffs under the Administrative Procedure Act. The court reiterated the favorable deference holding from *Davis v. PBGC* that PBGC gets "the usual deference we give to an agency interpreting its organic statute," regardless of whether PBGC is acting as statutory trustee. The Supreme Court has denied the plaintiffs' petition for certiorari.
- The U.S. Court of Appeals for the Sixth Circuit issued an amended opinion in *Black v. PBGC*, in response to a Delphi Salaried Retiree Association (DSRA) request for rehearing after the Sixth Circuit issued a September 2020 ruling in favor of PBGC, holding that the agency's actions were consistent with governing law. The amended opinion once again affirmed the district court ruling for PBGC on all issues, and the Sixth Circuit subsequently denied a DSRA- renewed request for rehearing. The plaintiffs have filed a petition for certiorari with the Supreme Court.
- The U.S. Court of Appeals for the D.C. Circuit upheld PBGC's denial of a lump sum benefit in *Fisher v. PBGC*. The Court ruled in PBGC's favor, holding that 29 C.F.R. § 4044.4(b) is valid and "easily satisfies

[the Court's] 'highly deferential' review" under *Chevron*, PBGC reasonably applied 4044.4(b) to deny the participant's lump sum request, and the participant failed to show that PBGC acted arbitrarily or capriciously.

Pension Plans Maintained

When plan sponsors enter bankruptcy proceedings, PBGC encourages continuation of pension plans. Although it forces tough choices, bankruptcy does not mean that pensions must terminate for companies to succeed. In FY 2021, these plans were among those that continued after the bankruptcies of their sponsors or controlled group members, protecting the benefits of participants:

- LSC Communications, Inc. (more than 26,100 participants).
- Frontier Communications Corporation (more than 25,550 participants).
- Hertz Global Holdings, Inc. (more than 22,500 participants).
- Belk, Inc. (more than 7,550 participants).
- Valaris PLC (more than 4,450 participants).
- Libbey Glass, Inc. (more than 3,900 participants).

Coverage Pilot Program

PBGC introduced a one-year pilot program in FY 2019 which allows employers, in limited circumstances, to request an Opinion Letter about whether a plan in the process of being created is likely to be covered under Title IV of ERISA. It is usually easy to determine if a defined benefit plan is covered by PBGC's insurance program. However, for plans that may be a small professional service plan, or a substantial owner's plan, coverage may not be clear. Thus, the coverage program assists plan sponsors in understanding whether such a plan is covered by PBGC. PBGC has received a limited number of requests for Opinion Letters under the pilot program. PBGC previously extended the pilot program for one year and has extended the program for an additional year to September 30, 2022.

GOAL NO. 2: PAYING TIMELY AND ACCURATE BENEFITS

Through its Single-Employer Program, PBGC is directly responsible for the benefits of more than 1.5 million current and future retirees in trusteed pension plans. Retirees and their families count on PBGC to pay their benefits accurately and on time.

Benefits Administration

PBGC becomes trustee of single-employer plans that end without enough money to pay all their benefit promises. In FY 2021, PBGC took responsibility for 47 single-employer plans that provide pension benefits to nearly 34,000 current and future retirees.

When PBGC assumes responsibility for a pension plan, a top priority is to make sure the plan's existing retirees continue to receive benefits without interruption. In FY 2021, more than 40,000 retirees continued to receive benefits without interruption from PBGC.

The Corporation paid over $6.4 billion in benefits to nearly 970,000 retirees in single-employer plans and nearly 26,000 new retirees applied for benefits. PBGC fell short of its goal to process 87 percent of benefit applications within 45 days. For FY 2021, PBGC processed 76 percent of its applications. This was due to contractor staffing shortages experienced throughout the year. As the staffing levels return to normal, PBGC expects the timeliness of application processing to improve.

In FY 2021, PBGC completed the consolidation of its Customer Contact Center (CCC) into a single service contract known as the Field Office Support Services (FOSS). This consolidation improved flexibility and agility in reacting to changing workloads, while concurrently reducing administrative and overhead costs.

Benefit Calculations

After PBGC becomes trustee of a terminated pension plan, it begins a complex multi-year process of valuing the plan's assets, reviewing plan and participant data, and calculating benefits payable by PBGC. When participants become eligible and request to start receiving their benefits, PBGC begins paying them an estimated benefit during the time before benefit determinations are complete. When the process is complete, participants are informed of their exact benefit amount via a benefit determination letter. In FY 2021, over 98 percent of final benefit determination amounts issued were within 10 percent of the estimated benefit amount.

The Corporation continued to streamline processes and improve technology to support the benefit determination process. As a result, PBGC reduced its backlog of trusteed plans in an estimated status by 25 percent to less than 300 total plans. PBGC also reduced the percentage of unissued benefit determinations greater than five years old to two percent, down from 14 percent in FY 2020.

PBGC has been focused on completing the case processing for the oldest plans in its inventory. In FY 2021, PBGC finished issuing benefit determinations for most of the plans that are more than five years old, resulting in an increase of the average age of benefit determinations issued from 5.3 years in FY 2020 to 5.9 years in FY 2021. With less than 2,000 unissued benefit determinations that are over five years old at the end of FY 2021, this number should improve in FY 2022.

Reviews and Appeals

When participants and beneficiaries in trusteed single-employer plans do not agree with PBGC's determination of their benefit, they have the right to bring their concerns to PBGC's Appeals Board. Employers and plan sponsors may also appeal certain PBGC determinations. The Appeals Board independently reviews each appeal and provides a detailed written explanation for each decision. In FY 2021, the Corporation started with 64 open appeals, accepted 157 new appeals, and closed 145 appeals, with 76 still open at the end of the year. More information regarding PBGC's Appeals Board is available on PBGC.gov.

GOAL NO. 3: MAINTAINING HIGH STANDARDS OF STEWARDSHIP AND ACCOUNTABILITY

Accountability: Measuring and Monitoring Performance

PBGC leadership continuously monitors how well it performs and serves customers, using a wide range of performance measures. Among them are how quickly and seamlessly the Corporation pays retirees and calculates benefits. PBGC conducts surveys to help improve the coordination and cooperation essential to meeting customer service goals.

PBGC'S OWN FINANCES MUST BE SOUND

PBGC's operations are financed by insurance premiums set by Congress and paid by sponsors of defined benefit pension plans. The Corporation is also funded by investment income, assets from pension plans trusteed by PBGC, and recoveries from the companies formerly responsible for the plans. In addition, special financial assistance for financially troubled multiemployer plans is financed by general taxpayer money.

Financial Position

The financial status of the Single-Employer Program showed continuous improvement, reflected in a positive net position of $30.9 billion at the end of FY 2021. Estimates from PBGC's FY 2020 Projections Report indicate that PBGC's Single-Employer Program likely will avoid a deficit net financial position over the next decade.

The net financial position of the Multiemployer Program significantly improved during FY 2021 to a positive net position of $0.5 billion. While last year's Projections Report projected the Multiemployer Program would become insolvent during FY 2026, this year's projections show solvency is substantially extended primarily due to the enactment of ARP. This also reduces the demand on PBGC to provide financial assistance to insolvent plans.

Financial Soundness and Financial Integrity

The Corporation protects the pensions of over 33 million participants whose plan benefits are valued at over $3 trillion. PBGC's two insurance programs, one for single-employer plans and one for multiemployer plans, are designed to protect a guaranteed amount of participants' pension benefits when plans fail. The programs differ significantly in the extent to which plan benefits are funded as well as in the structure and level of PBGC's premium rates and guarantees. In addition to collecting premiums, PBGC exercises care in the management of approximately $154 billion in total assets. In FY 2021, PBGC attained its 29th consecutive unmodified audit opinion on its financial statements.

Collecting Premiums

Premium rates are set by statute and are generally indexed for inflation. The Bipartisan Budget Act of 2013, MPRA, and the Bipartisan Budget Act of 2015 specify premium rates or premium increases for certain years. In FY 2021, combined premium cash receipts collected totaled $5.520 billion. Single-Employer Program premium cash receipts collected were $5.186 billion. Separately, Multiemployer Program premium cash receipts in FY 2021 were around $334 million.

In FY 2021, PBGC significantly redesigned its practitioner-based online filing system My Plan Administration Account (My PAA). This new version includes multiple enhancements to improve customer experience with plan account management and premium-filing submissions through simplified processes such as those for first-time plan filings, managing the online filing team, and updating plan demographic information. Reporting improvements include enhanced real-time filing validations and status tracking of uploaded filings. Online training materials have been expanded and are easier to access by key words.

Investing Prudently

PBGC investment assets are administered by investment management firms subject to PBGC's investment policies and oversight procedures. Procedures for internal controls, due diligence, and risk management are periodically reviewed. Regular and detailed communication with management firms enables the Corporation to stay informed on matters affecting its investment program. For more information, refer to Section VII Investment Activities.

OUTREACH AND CUSTOMER SERVICE

Customers are at the core of PBGC's mission. To provide customers with the highest level of customer service, PBGC uses surveys to actively listen, identify opportunities for enhancements, implement process improvements, and monitor satisfaction. Scores are based on the widely recognized American Customer Satisfaction Index (ACSI).[1] PBGC listened to its customer feedback and implemented improvements in FY 2021 to enhance customer service.

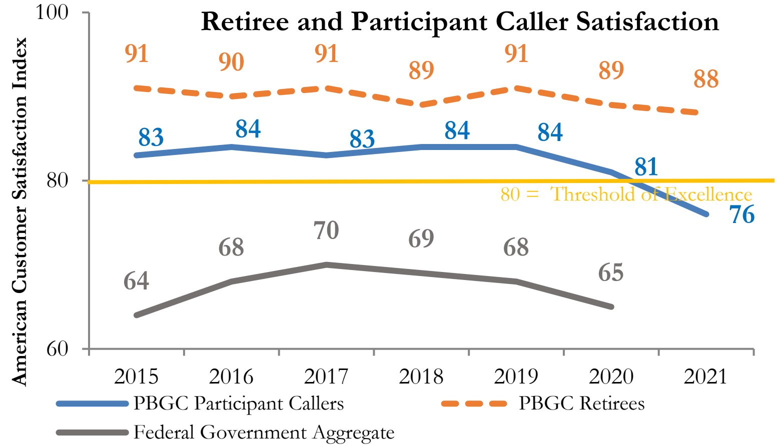
In FY 2021, PBGC implemented its new Quick, Easy, Secure, Transparent (QuEST) customer relationship management (CRM) system. The internal facing CRM was updated to sync up with the newly renamed My Pension Benefits Access (MyPBA) customer-facing web portal. The new systems provide all the same functionality of PBGC's former systems but with added features.

PBGC improved users' online experience with extra security and easier access. Users now access MyPBA through Login.gov, a secure multifactor authentication sign-on solution for government websites. This makes MyPBA more secure for customers.

[1] The American Customer Satisfaction Index (ACSI) uses a 0-100 scale; 80 or above is considered excellent.

Participant and Retirees

Retirees receiving monthly payments from PBGC gave the Corporation a satisfaction score of 88. PBGC's retiree satisfaction score continues to be among the highest in the federal government.

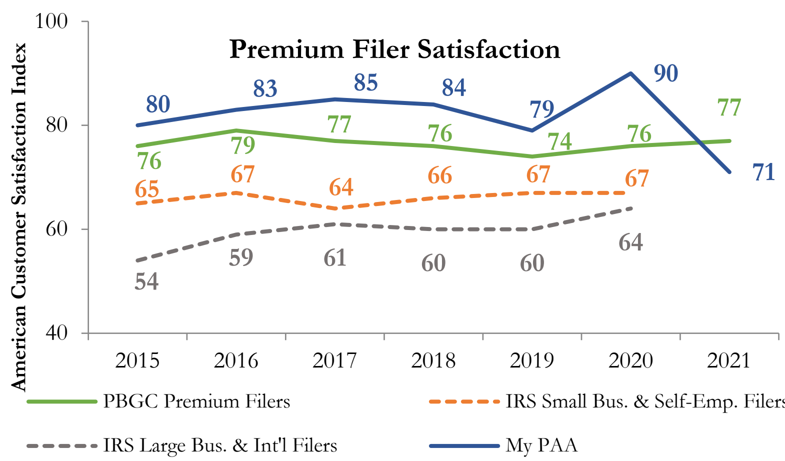


Pension plan participants who called PBGC and responded to a survey scored their satisfaction at 76. In FY 2021, PBGC's CCC experienced higher than normal call volumes. The CCC continued to provide critical services to workers, retirees, and beneficiaries virtually.

MyPBA is a customer web portal that allows participants in PBGC-trusteed plans to access to their benefit information. MyPBA's FY 2021 score was 64. This result is due to a July 2021 security upgrade that requires identity proofing and multifactor authentication. PBGC continues one-on-one outreach to customers and is publishing Frequently Asked Questions (FAQ) to keep customers informed.

Premium Filers

Pension plan sponsors and their practitioners who file premiums with PBGC gave a FY 2021 satisfaction score of 77. Filers gave excellent scores to PBGC's personal service, written communication, and filing process.



My Plan Administration Account (My PAA) is an online application for pension plan practitioners to file premium information and payments with PBGC. The FY 2021 score was 71, off from the target of 80.

In FY 2021, the My PAA practitioner filing system was replaced with a new design to implement enhancements, add new features and streamline the application for the user experience. To better align My PAA with information technology industry standards, PBGC completed additional infrastructure and security upgrades throughout the year.

Engaging With Customers and Stakeholders

PBGC communicates with its customers and other stakeholders through the Corporation's website, social media, and other communications tools. The Corporation's website is regularly updated to provide relevant content to workers, retirees, employers, practitioners, and stakeholders within the pension community. PBGC continuously improves the site's overall usability to provide customers with a user-friendly experience, addressing visitor needs, customer feedback, and plain language principles to convey agency information and updates in a timely manner.

To support the agency's new SFA Program, PBGC hosted two webinars related to the interim final rule on the SFA application, review process, and program resources. Close to 900 people participated in the webinar sessions. Since the introduction of the SFA interim final rule, there have been nearly 11,000 visitors to the Corporation's SFA Program page.

PBGC also responds to inquiries from members of Congress — many writing on behalf of their constituents — and various stakeholders.

In FY 2021, PBGC formed a task force to identify barriers that plan participants and retirees in underserved communities may experience when accessing agency benefits, services, and contracting opportunities. PBGC is focusing on the following areas:

- **Customer Outreach and Communication –** seek opportunities to connect with retirees and pension participants with disabilities, limited English proficiency, and limited access to internet via multiple communication methods to ensure they are informed of and can access benefits to which they are entitled by law. Strategies will focus on finding ways to identify these communities by interviewing internal and external stakeholders and reviewing customer survey data.
- **Identify and Educate on Retirement Fraud –** seek opportunities to communicate and educate retirees and pension participants who may be vulnerable to scams designed to access their personal information and retirement savings. To educate about retirement fraud, strategies will focus on finding ways to identify this population by interviewing internal and external stakeholders and reviewing customer survey data.
- **Small and Disadvantaged Business Utilization Program –** evaluate PBGC's Small and Disadvantaged Business Utilization Program to determine whether there are opportunities to expand access for women and minority-owned businesses contracting opportunities. PBGC will explore opportunities to expand access to small, disadvantaged, woman-owned, and veteran-owned businesses. Strategies will focus on engaging internal and external stakeholders to identify and maximize existing authorities and opportunities for small businesses.

SUSTAINING THE PROGRAMS

PBGC serves as a source of information about pension and retirement policy. The Corporation implements strategies to strengthen its programs' financial health and improve its ability to manage risks by actively monitoring and reporting on its insurance programs and other relevant information.

Research and Analysis Activities

The Corporation regularly produces analyses and reports of its programs and policy alternatives to its Board of Directors, policymakers, and external stakeholders, including the public. The Pension Insurance Data Book — a collection of data regarding PBGC and its insurance programs — is published annually. The Data Book includes multiyear data and statistics about the broader private defined benefit pension system.

PBGC's Projections Report is an annual actuarial evaluation of its future operations and financial status. The report provides 10-year projections of the financial status of both insurance programs under a range of future financial scenarios.

This year, PBGC also issued its 5-Year Multiemployer Program Report, which reviews the sustainability of the Multiemployer Program. This report assesses the premiums needed to maintain the current guarantee levels and whether the guarantee levels may be increased without raising premiums.

Improvements to the Pension Insurance Modeling System and Related Reports

PBGC's primary forecasting model is the Pension Insurance Modeling System (PIMS). The model is periodically evaluated through a congressionally mandated peer review by outside experts, required under the Moving Ahead for Progress in the 21st Century Act (MAP-21). An independent review was performed to review data inputs and the data set preparation process.

The peer reviews provide recommendations to improve the plan, participant, and plan sponsor data used to produce the PIMS projections. PBGC uses these reviews to improve PIMS. The Corporation also uses PIMS to generate results reported in its annual Projections Report, the budget process, to illustrate the effects of proposed changes to pension law, and to provide other technical assistance to policymakers. PBGC has undertaken a multiyear effort to improve the speed and performance of PIMS.

Enterprise Risk Management

During FY 2021, the Corporation continued to maintain its risk management framework and conducted its annual agency-wide risk assessment. The assessment found that the enactment of ARP substantially reduced risks related to the timing of the projected Multiemployer Program insolvency. In addition, adverse impacts of COVID-19 on PBGC's workforce were reduced with the use of maximum telework. The Corporation's top entity-wide risks were associated with recruiting and retaining staff, succession planning, technology modernization, and the declining defined benefit market. The Risk Management Council worked with program offices to continuously monitor the risks and the associated mitigation strategies.

Another significant milestone included completion of an Office of the Inspector General evaluation of the Enterprise Risk Management (ERM) Program. Evaluation results conveyed that "PBGC has made substantial progress in implementing their ERM Program." The results of the evaluation validated the maturity of the program and acknowledged the advancement made in standing up and moving the program forward. In addition to pointing out program growth, the evaluation results recommended that PBGC focus on Risk Management Officer succession planning, formalize ERM-related training for those directly involved with the program, and update a related Directive. These actions, which management addressed, facilitated the program's ability to identify and mitigate risks.

The Corporation also continued to:

- Integrate ERM principles into key decision-making processes, such as strategic planning, organizational performance, and budgeting.
- Communicate about ERM agency-wide, to foster a risk management aware culture.
- Identify emerging risks.

Regulatory and other Guidance Activities

ARP added section 4262 to ERISA to create a program to enhance retirement security for millions of Americans by providing SFA to certain financially troubled multiemployer plans. The SFA Program is expected to assist plans covering more than 3 million participants and beneficiaries, including the provision of funds to reinstate suspended monthly benefits going forward, and for make-up payments to restore previously suspended benefits of participants and beneficiaries. In turn, the SFA Program significantly improves the financial condition of PBGC's Multiemployer Program.

Under section 4262 of ERISA, PBGC was required within 120 days to prescribe in regulations or other guidance the requirements for SFA applications. To implement the program, PBGC released an interim final rule adding a new part 4262 to its regulations, "Special Financial Assistance by PBGC." PBGC released the interim final rule on July 9, 2021, and published it in the Federal Register on July 12, 2021, with a 30-day comment period. PBGC received over 100 comments, which are being reviewed, and will move to publish a final rule when the review has concluded.

Part 4262 provides guidance to multiemployer pension plan sponsors on eligibility, determining the amount of SFA, content of an application for SFA, the process of applying, PBGC's review of applications, and restrictions and conditions on plans that receive SFA. PBGC also released instructions and guidance on assumptions used for determining eligibility and the amount of SFA.

In FY 2021, PBGC continued to update its existing regulations, including to protect plan participants and minimize burdens on pension plans and plan sponsors, as part of its ongoing regulatory review. In FY 2021, PBGC published:

- A final rule that implements statutory provisions affecting the determination of a withdrawing employer's liability under a multiemployer plan and annual withdrawal liability payment amount when the plan has had benefit reductions, benefits suspensions, surcharges, or contribution increases that must be disregarded. The final rule also provides simplified withdrawal liability calculation methods.
- A proposed rule that would update PBGC's regulation on requesting, obtaining, and examining records to reflect statutory changes to the Freedom of Information Act (FOIA) and current agency practice.

In addition, in FY 2021, PBGC:

- Complied with an Executive Order on regulations and guidance, "Executive Order on Revocation of Certain Executive Orders Concerning Federal Regulation," by rescinding PBGC's rule on guidance.

- Published a final rule adopting PBGC's interim final rule as final to exempt from disclosure information contained in a system of records for PBGC's insider threat program.

STRENGTHENING A DIVERSE WORKFORCE AND LEADERSHIP

PBGC continues to be committed to maintaining a diverse and inclusive workplace that ensures alignment with strategic goals and outcomes. In FY 2021, the Corporation continued to focus on strengthening employee performance, increasing leadership engagement, expanding health and wellness programs, and continued efforts to recruit and retain disabled veterans.

The Partnership for Public Service ranked PBGC in the top five best places to work among small federal agencies. The Corporation ranked fourth out of 28 agencies in this category.

Federal Employee Viewpoint Survey

The 2020 Federal Employee Viewpoint Survey (FEVS) was administered September 16, 2020, through October 28, 2020. Survey results for 2020 were received in 2021. The agency's response rate was 73 percent, up from 69 percent of employees who completed the survey in 2019. The results show how PBGC employees rated employee engagement and overall satisfaction. PBGC's Employee Engagement Index score, which measures areas including employee development, was 84 percent, the highest score for this index the agency has seen to date. The agency's Global Satisfaction Index score, which measures employees' satisfaction with their jobs, pay, and organization, was 82 percent. PBGC ranked third among small agencies and government wide. PBGC expects to receive the 2021 FEVS results in early 2022.

Recruitment and Outreach

The Corporation continued to take a proactive approach to retain a highly skilled workforce and staying competitive with the private sector. Accordingly, PBGC began broadening recruitment and retention incentive programs, increasing work life and wellness programs and offerings, and promoting work schedule flexibilities.

PBGC promoted recruitment and retention of disabled veterans via corporate and leadership training programs. As of August 23, 2021, PBGC hired nine veterans including six disabled veterans. Currently, the total disabled veteran population at PBGC is three percent of PBGC's total population. The Corporation's Disabled Veterans Affirmative Action Program has established a partnership with the Department of Veterans Affairs, Veteran Readiness & Employment Team to further support our initiative to increase our veteran hires.

Diversity, Equity, and Inclusion

The Corporation's Special Emphasis Program and Disability Awareness Series presented a Veterans Affairs Benefits Overview and Disability Etiquette Program with employees in attendance. The PBGC Diversity and Inclusion (D&I) Council arranged an agency Community Day Campaign titled "Pension Hidden Figures," along with various monthly Special Emphasis Program observances. Additionally, the Federal Asian Pacific American Council sponsored several educational Diversity, Equity, and Inclusion (DEI) events celebrating their cultural observance.

PBGC's Diversity Council's First Generations Professionals (FGPs) affinity group celebrated its first anniversary. The FGP received tremendous support from senior leadership and partnered with other federal agencies allowing the affinity group to develop and grow a robust program. The FGP has provided a safe, insightful, and comfortable space for those who are among the first in their immediate families to attend college or enter a professional work environment.

Performance Management

PBGC is a performance-based organization. Its professionals are held to high standards of excellence in achieving organizational results. The Corporation's Performance Management Program ensures supervisors have the necessary tools and resources to effectively manage employee conduct and performance that align with and support organizational goals. In FY 2021, PBGC provided over 20 performance management virtual training courses further supporting leadership in their performance management activities.

Management and Leadership Development

In FY 2021, PBGC offered 19 virtual sessions under the umbrella of two management development series: Sustaining Engagement and Productivity in Times of Change and Cultivating Resilience-Generating Energy. These sessions were designed to support supervisors to effectively deal with the changing work landscape due to the COVID-19 pandemic.

The Leadership/Executive Coaching Program was expanded to include GS-13s as potential coaching clients. The expanded coaching program increases leadership capacity and strengthens PBGC's succession planning strategies.

Equal Employment Opportunity

The Office of Equal Employment Opportunity (OEEO) is responsible for providing leadership in the development, implementation, and evaluation of the Equal Employment Opportunity (EEO) programs and services within the Corporation. The office provides technical guidance, advice, and equal opportunity support services to PBGC employees and applicants regarding the federal government's equal opportunity program. OEEO continues to build a Model EEO Program that reflects the six essential elements as described in Management Directive 715 (MD-715):

- Demonstrates commitment from agency leadership.
- Integrates EEO into the agency's strategic mission.
- Ensures management and program accountability.
- Works to ensure program is efficient.
- Proactively prevents unlawful discrimination.
- Ensures responsiveness and legal compliance.

The MD-715 is the policy guidance which the EEOC provides to federal agencies for their use in establishing and maintaining effective programs of equal employment opportunity.

The Affirmative Employment Program (AEP) promotes equal employment opportunity by identifying discriminatory employment policies, practices, and procedures that impede equal employment opportunity for all workforce demographics. The AEP Team presented events and activities that supported equal employment opportunity. These included:

- YOUniversity, PBGC's Bias Awareness Program.
- An agency-wide two-part workshop titled "Daring Dialogues" regarding topics on race and racism.
- PBGC's Education & Enrichment Book Club, which facilitates discussions around equal employment opportunity and diversity in the workplace.
- Collaboration with Affirmative Employment Committees to identify and support the employment needs of women, Hispanics, and persons with disabilities and addressing any barriers to opportunity for those groups.
- Collaboration with department leadership regarding their EEO needs. An EEO Dashboard was developed and implemented to support departmental leadership in their EEO efforts. The EEO dashboard allows departmental leadership to view their workforce demographics on a quarterly basis to determine areas that may require continued focus on diversity and inclusion metrics. This tool also supports departmental succession planning goals.

The Corporation met its annual requirements to conduct a barrier analysis in an effort to identify and mitigate barriers to equal employment opportunity and to develop programs that support equal employment opportunity. The Corporation also develops the annual State of the Agency MD-715 report and presented a high-level overview of information regarding PBGC's EEO program to the Executive Management Committee. The report is available on PBGC.gov.

SAFEGUARDING CUSTOMERS' INTERESTS

Participant and Plan Sponsor Advocate

The PBGC Participant and Plan Sponsor Advocate (the Advocate) is an independent entity within PBGC. The Advocate is selected by PBGC's Board of Directors (the Board) and reports to the Board and Congress. The Advocate acts as a liaison between PBGC, sponsors of insured defined benefit plans, and participants in PBGC-trusteed plans. The duties of the position include advocating for the full attainment of the rights of participants in trusteed plans, as well as assisting participants and plan sponsors in resolving disputes with the Corporation. The Advocate also identifies areas where participants and plan sponsors have persistent problems in dealing with PBGC and may propose changes in PBGC's administrative practices and recommend legislative changes to mitigate problems. The Advocate is statutorily required to submit an annual report to PBGC's congressional committees of jurisdiction, the Board, and PBGC's Director.

The Advocate's annual report, issued on December 31, 2020, detailed the Office of the Advocate's participant and plan sponsor cases and activities, as well as the Advocate's latest initiative to create a pension plan registry to help participants searching for their lost pension plans. While the report described some responsive changes by PBGC to address prior Advocate recommendations, the Advocate again highlighted the need for increased managerial oversight and a critical review of PBGC's processes and procedures to ensure that participant and plan sponsor cases are resolved in a timely and transparent manner, particularly when a matter involves multiple departments within the Corporation.

Strengthening E-Government and Information Technology

While in a maximum telework posture, the Office of Information Technology (OIT) continued to deliver on the objectives, measures, and goals outlined in PBGC's Strategic Plan and the Information Technology (IT) Strategic Plan. Recent system modernization efforts included Integrated Present Value of Future Benefits (IPVFB), Benefit Calculation and Valuation (BCV) phases 1 and 2, My Plan Administration Account (My PAA), and telephony infrastructure modernization. A synopsis of these and all significant IT modernization efforts can be found on PBGC.gov. PBGC enhanced the security and reliability of its IT services and solutions through investments in infrastructure, moving to co-located data centers, enabling multi-factor authentication for internal- and external-facing customer solutions, modernizing mission critical systems, and migrating systems to the cloud. These activities enabled PBGC staff to effectively conduct business during maximum telework necessitated by the COVID-19 pandemic.

Additionally, PBGC used cloud computing, shared and managed services, and in-house systems to enable a flexible, reliable, scalable, secure, and cost-effective IT infrastructure. PBGC's IT modernization efforts are designed to leverage technology to facilitate data driven-driven decisions throughout the deployment of enterprise-wide platforms and solutions that provide secure and reliable access to PBGC's IT systems to stakeholders at any time and from anywhere.

Additional OIT accomplishments include:

- Completed the Office of Management and Budget (OMB) FY 2020 Annual Federal Information Security Modernization Act (FISMA) Report. PBGC was rated in the top 40 percent of agencies based upon IG FISMA ratings. PBGC maintained its FISMA "Managed-Risk" Risk Management Assessment grade while continuing to mature its Security and Privacy Assessment and Authorization Program through updates and improvements to PBGC's Risk Management Framework Process.

- Complied with all Cybersecurity & Infrastructure Security Agency (CISA) Emergency Directive (ED) actions and reporting requirements, including ED 21-01 – Mitigate SolarWinds Orion Code Compromise, ED 21-02 – Mitigate Microsoft Exchange On-Premises Product Vulnerabilities, ED 21-03 – Mitigate Pulse Connect Secure Product Vulnerabilities, and ED 21-04 – Mitigate Windows Print Spooler Service Vulnerability.

- Organized PBGC's second annual Cybersecurity Awareness Week in a virtual format. Speakers and subject matter experts were recruited from a myriad of federal agencies including NIST, OMB, CISA, Department of State, and GSA to discuss various IT and cyber related topics to a PBGC audience of more than 200 end users. The event also contained a series of security trainings to promote awareness on "being cyber smart" and learning about various cybersecurity and privacy protections. Also matured the security training program to include a "Check My Requirements" dashboard for those with "significant" security training roles or responsibilities.

- Achieved on-going authorization of all FISMA reportable systems by leveraging PBGC's Information Security Continuous Monitoring (ISCM) program and an interactive information technology security performance dashboard.
- Achieved rating by OIG FISMA Cybersecurity Framework (CSF) audit at CMM Level 4 – Managed and Measurable, and an overall assessment of "Effective."
- Implementing actions to comply with Presidential Executive Order 14028, including Memoranda of Agreement with DHS CISA, critical software use and configuration guidance, Cyber-Supply Chain Risk Management, Multi-Factor Authentication, Zero-Trust Architecture, and Cloud Computing Strategy.

Ensuring Ethical Practices

In FY 2021, PBGC continued to ensure that nearly all employees received initial ethics training within 90 days of their date of hire and that separating employees had the opportunity to meet with an ethics counselor to discuss the rules on post-employment activities. All public financial-disclosure filers and other designated employees received annual ethics training by the end of the fiscal year. PBGC's ethics team continued its "Ethics in Brief" email notices to all PBGC employees on various topics of interest, including seeking employment. PBGC also emailed information to all employees regarding the Hatch Act.

Protecting Privacy Interests

Among PBGC's highest priorities is protecting the personal information of its participants, beneficiaries, employees, and contractors. In FY 2021, the Privacy Office continued PBGC's transition from a compliance approach to privacy to a more risk-based approach. While a compliance approach focuses on whether certain criteria are met, a risk-based approach focuses on quality and content. This transition included reviewing PBGC's systems and processes to optimize the confidentiality, integrity, and availability of the information PBGC maintains.

PBGC virtually hosted its annual Privacy Week, which offered training and information about various privacy topics. The Privacy Office also conducted training for the Breach Response Team (BRT), including a table-top exercise to address an open recommendation from the FISMA audit.

In addition, PBGC conducted annual inventories of its personally identifiable information holdings and led the way in reducing the agency's collection and use of Social Security numbers (SSNs). The Senior Agency Official for Privacy with the support of the Privacy Office stood up the SSN Reduction Board, successfully closing three audit findings from a 2019 OIG audit concerning PBGC's efforts to reduce the collection and use of SSNs.

Strengthening Transparency & Disclosure

PBGC continued to be a leader among federal agencies in its commitment to transparency and accountability by ensuring agency-wide compliance with FOIA. In FY 2021, the Disclosure Division received and processed more than 3,400 requests, with a median processing time of 13 working days, seven days below the statutory time-limit. The division conducted 25 virtual trainings to ensure efficient and accurate corporate-wide compliance to the FOIA and participated in seven Department of Justice-sponsored training events. Again, the Disclosure Division finished FY 2021 with zero backlogged cases.

The Disclosure Division maintained effective and timely communication with all information requesters while operating a digital operation in response to the pandemic. During Sunshine Week, an event sponsored by the Department of Justice to recognize the importance of FOIA for government transparency, PBGC's Disclosure Division received the distinguished Exceptional Service Award for their professional dedication to the success of the PBGC's FOIA administration. The Disclosure Division maintained exceptional service by maximizing the use of technology to promote efficiency and strategic human capital management to eliminate barriers to agency transparency. PBGC once more received a perfect scoring of "100" from DOJ in five key areas: applying a presumption of openness; having an efficient system in place for responding to requests; increasing proactive disclosures; utilizing technology; and reducing any backlogs/improving timeliness.

INDEPENDENT EVALUATION OF PBGC PROGRAMS

PBGC programs are regularly subject to independent evaluations that help the Corporation remain true to its mission and accountable for services provided to the public. To maintain high standards of stewardship and accountability, PBGC continues to strengthen controls over operations, financial reporting, and compliance with laws and regulations.

Office of Inspector General (OIG)

PBGC places a strong emphasis on diligently addressing OIG's audit recommendations. To facilitate timely completion and closure of OIG recommendations, regular status reports are issued to executive management to assist in monitoring corrective actions. Once work on recommendations is completed, the Corporation provides evidence documenting the corrective actions taken for OIG review.

PBGC is committed to addressing OIG recommendations in a timely manner. During FY 2021, PBGC closed 55 audit recommendations, including 17 related to the three significant deficiencies identified in the Audit of PBGC's Fiscal Year 2019 and 2018 Financial Statements — Controls over Actuarial Estimates, and Access Controls, and Configuration Management. Also, during FY 2021, PBGC received 42 new audit recommendations resulting in 62 open at the end of FY 2021.

PBGC's OIG oversaw the FY 2021 annual financial statement audit completed by an independent public accounting firm, Ernst & Young LLP. In addition, during FY 2021, OIG performed other audits and evaluations, including the following:

- **Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements (AUD-2021-02/FA-20-148-1), issued December 9, 2020.** In this report, OIG stated this is the 28th consecutive unmodified financial statement audit opinion. PBGC continues to develop and execute corrective actions to remediate previously reported internal control deficiencies related to its actuarial liability estimates. PBGC remediated several previously identified internal control deficiencies by executing sensitivity analyses, developing reasonableness thresholds for Present Value Future Benefits (PVFB) and the present value of nonrecoverable future financial assistance (PVNRFFA) estimates, and conducting an experience study over its 10-year projected insolvency criteria for PVNRFFA estimates. In the report, OIG identified the following two significant deficiencies:
    - Controls over the Actuarial Estimates.
    - Controls over Information Systems – Segregation of Duties.

- **Internal Controls Must Be Strengthened to Promote Procurement Integrity (AUD-2021-01/PA-20-149), issued December 8, 2020.** At the request of the PBGC Director, in May 2020 OIG initiated an audit of procurement practices. Following the former PBGC Procurement Department (PD) Director's guilty plea in May 2020, OIG found he steered the contract in the bribery case by including overly restrictive personnel requirements in the solicitation and then increased its value to $3.3 million through out-of-scope modifications. In addition, a follow-on contract was awarded to the same contractor for $1.5 million. In total, OIG identified $4.8 million as questioned costs because the contracts were obtained through fraudulent means. The former PD Director's actions were enabled by internal control weaknesses; specifically, inadequate oversight of PD procurements and a lack of a control mechanism to ensure that PD sent all requisite contract actions for legal review. OIG made three recommendations to the Corporation, two of which are closed, and corrective actions are ongoing for the remaining recommendation.

- **PBGC's Fiscal Year 2020 Compliance with the Payment Integrity Information Act of 2019 (EVAL-2021-08/EV-21-153), issued May 10, 2021.** As required by the Payment Integrity Information Act of 2019 (PIIA), OIG reviewed PBGC's compliance with improper payment requirements. For FY 2020, PBGC's risk assessments of Payments to Federal Employees were reviewed, and it was determined that PBGC was compliant with the PIIA risk assessment and reporting requirements.

- **PBGC Can Improve the Effectiveness of the ERM Program (EVAL-2021-07/EV-20-151), issued March 1, 2021.** OIG concluded that PBGC has made substantial progress in implementing its Enterprise Risk Management (ERM) Program. However, PBGC lacks a properly documented succession plan for the Risk Management Officer position. The lack of a plan may hinder proper succession and continuity of operations and formalized training for those directly involved with the ERM program, which may cause inconsistencies in knowledge bases across PBGC. OIG also noted PBGC uses an outdated directive that does not capture the current ERM guidance covered in OMB Circular A-123, which may lead to ineffective guidance for remediating risks. The OIG made four recommendations to the Corporation. Three of the recommendations have been closed and the corrective action related to the last recommendation has been submitted to the OIG for review.

- **PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services (EVAL-2021-09/EV-20-143), issued June 4, 2021.** OIG determined PBGC's acquisition planning for actuarial support services did not meet its needs timely and effectively. Delays in acquisition planning led PBGC to extend the contracts and award follow-on contracts on a sole-source basis. Furthermore, PBGC awarded a contract to assist PBGC with planning for these contracts that had duplicative requirements of an existing contract. As a result, OIG identified $447,780 in funds that could have been put to better use from the duplicative procurement support contract. Furthermore, the initial firm-fixed-price Indefinite Delivery, Indefinite Quantity (IDIQ) task orders had poorly defined requirements and different amounts of work for the same price. In addition, the new actuarial support services multiple-award IDIQ contracts each contained different timeliness measures and did not have performance measures for the accuracy of contractors' calculations of benefits and related liabilities; this may lead to additional costs from contractors' time spent correcting errors under Labor-Hour and Time-and-Materials task orders. OIG made five recommendations to the Corporation and corrective actions are ongoing.

For more information about OIG's work in promoting accountability in PBGC operations, visit OIG.PBGC.gov.

Government Accountability Office (GAO)

GAO's high-risk report dated March 2021 continued to include PBGC's Single-Employer and Multiemployer Programs as one of 36 government programs most at risk due to vulnerabilities. The report underscores the risk of PBGC's Multiemployer Program being exhausted within six years because of projected pension plans' insolvencies. After GAO's report was issued, ARP was enacted providing special financial assistance to certain financially troubled multiemployer plans.

PBGC also monitors progress in addressing GAO recommendations. As of September 30, 2021, PBGC had two open GAO recommendations. One relates to a multiagency effort to revise the Form 5500 and the other relates to FOIA. The Corporation has addressed the FOIA open recommendation and will work with GAO to seek closure. For more information about GAO's work on pensions and retirement security issues, visit GAO.gov.

FINANCES

FISCAL YEAR 2021 FINANCIAL STATEMENT HIGHLIGHTS

The Pension Benefit Guaranty Corporation (PBGC or the Corporation or the agency) is a federal corporation established under the Employee Retirement Income Security Act (ERISA) of 1974, as amended. It guarantees payment of basic pension benefits earned by over 33 million of America's workers and retirees participating in more than 25,000 private-sector defined benefit pension plans. In accordance with the American Rescue Plan (ARP) Act of 2021, the Corporation, for the first time received an appropriation from the U.S. Treasury General Fund to assist in remedying the Multiemployer Program's deficit. PBGC receives no funds from general tax revenues for its Single-Employer Program. Operations are financed by insurance premiums set by statute and paid by sponsors of defined benefit plans, investment income, assets from pension plans trusteed by PBGC, and recoveries from the companies formerly responsible for the plans.

FINANCIAL POSITION

PBGC's Memorandum Total Financial Position

The American Rescue Plan (ARP) Act of 2021, established a new multiemployer Special Financial Assistance (SFA) Program, resulting in a new source of financing outside of PBGC's revolving fund. PBGC will receive appropriated SFA funds to disburse to multiemployer plans that meet certain criteria. Unlike traditional financial assistance wherein PBGC provides assistance to multiemployer plans in the form of a loan, the new special financial assistance will be provided via a transfer (pass-through of funds) with no obligation of repayment. At the end of each fiscal year, any unused appropriated SFA funds must be returned to the U.S. Treasury General Fund. In FY 2021, 64 insolvent and probable multiemployer plans were removed from PBGC's present value of nonrecoverable future financial assistance liability as a result of the new SFA Program. The total liability of these 64 plans was $60,159 million which significantly reduced PBGC's total liabilities and helped eliminate PBGC's Multiemployer Program deficit (for further detail of the SFA Program, see section IV.B of the Management's Discussion and Analysis).

Given this significant event of PBGC receiving for the first time an appropriation from the U.S. Treasury General Fund, a revision to PBGC's financial statement presentation format was necessary. This included new financial line items (see Note 2) for financial statement purposes and renaming the "Statements of Operations and Changes to Net Position" to "Statements of Operations". Additionally, within the "Statements of Operations", Net position was removed from this statement and Cumulative results of operations was added. In addition, Net position remained on the "Statements of Financial Position", along with the newly added Cumulative results of operations financial line item. Cumulative results of operations represent PBGC's financial position that excludes the unused appropriations from the U.S. Treasury General Fund for special financial assistance. Net position on the "Statements of Financial Position" consists of Contributed transfer appropriation (equity account representing unused SFA appropriations), as well as the Cumulative results of operations.

PBGC's Memorandum Total cumulative results of operations increased by $79,686 million, resulting in the Corporation's Memorandum Total cumulative results of operations of $31,415 million as of September 30, 2021, from a deficit of $48,271 million as of September 30, 2020. PBGC includes Memorandum Totals for its two independent insurance programs solely for an entity-wide informational view of its financial statements. Most importantly, under Section 4005(g) of ERISA, the Single-Employer and Multiemployer Programs are separate by law; and, therefore, PBGC is required to report the financial results of operations separately. Separate results from operations from the Single-Employer Program and the Multiemployer Program contributed to the elimination in the Memorandum Total deficit. The increase in the Memorandum Total cumulative results of operations is due to $63,736 million in multiemployer credits from insolvent and probable plans, $5,328 million in credits due to change in interest factors, $4,900 million in premium and other income, $4,083 million in actuarial credits, and $4,011 million in investment income, offset by $1,022 million in losses from completed and probable terminations, $773 million in charges due to expected interest, and $577 million in administrative and investment expenses. Memorandum Total actuarial credits totaled $8,638 million. PBGC uses a curve of interest factors to determine the actuarial present value of estimated future benefit payments (see Note 6). The curve of spot rates for September 30, 2021, starts with an interest factor of 0.44% in year 1 and changes as the future period for discounting gets longer until year 31 when the factor becomes 2.30% for the remaining years. The overall FY 2021 impact from the increase in interest factors resulted in $5,422 million in credits that consists of $5,282 million in credits for terminated single-employer plans, a $94 million in credits for probable multiemployer plans, and a $46 million in credits for insolvent multiemployer plans.

Multiemployer Financial Position

- The Multiemployer Program's cumulative results of operations improved significantly by $64,227 million, resulting in a positive cumulative results of operations of $478 million as of September 30, 2021. The primary factor for this improvement was the American Rescue Plan (ARP) Act of 2021. ARP established the Special Financial Assistance (SFA) Program for distressed multiemployer plans that meet specific criteria. The financial impact of the SFA Program is to reduce the category of ongoing plans to approximately a zero liability for individually identified high risk plans (the only exception being a small plan bulk reserve) on the Statements of Financial Position. This significantly reduces the liability for the multiemployer program (see section IV.B of the Management's Discussion and Analysis).

- PBGC's FY 2020 Projections Report shows significant improvements in the projected solvency of the Multiemployer Program. Prior to enactment of ARP, PBGC's Multiemployer Program was projected to become insolvent in FY 2026. By providing special financial assistance to the most financially troubled multiemployer plans, ARP significantly extends the solvency of PBGC's Multiemployer Program. Additionally, ARP assists plans by providing funds to reinstate previously suspended benefits. Reflecting the significant monetary relief provided under ARP, the new projections show a median projected insolvency in 2055.

- The Multiemployer Program's deficit would have remained significant if not for the favorable impact of the ARP Act. The $64,227 million increase in the Multiemployer Program's FY 2021 cumulative results of operations is due to $63,736 million in credits from insolvent and probable plans-financial assistance, $369 million in net premium and other income, $143 million in credits to actuarial adjustments, $46 million in credits due to change in interest factors, offset by $47 million in fixed investment losses, $9 million in administrative and investment expenses, and $11 million in charges due to expected interest on accrued liabilities.

- Credits from insolvent and probable plans-financial assistance for the Multiemployer Program was $63,736 million at September 30, 2021. The primary drivers of these credits are due to:

    - $61,811 million credit due to 69 plans that were removed from multiemployer inventory (that consists of 64 plans with an aggregated liability of $60,159 million that are expected to be eligible for SFA, three plans with net claims of $1,499 million were removed due to being classified as remote, one plan with a liability of $128 million that was transferred from probable classification to reasonably possible, and one plan with a liability of $24 million was also removed due to a plan merger); and

  - $1,061 million credit due to the year-over-year change in the multiemployer small bulk reserve; and
  - $295 million credit from the reversal of the allowance for insolvent multiemployer plans expected to be eligible to receive Special Financial Assistance (which reflects the expected plans' repayment of traditional financial assistance – see Note 7); and
  - $184 million credit from change due to expected rates of return (investment returns expected on assets of multiemployer probable plans); and
  - $142 million credit from change due to change in mortality table (change in projection scale).

- A total of 69 plans with net claims of $61,811 million were deleted from the multiemployer inventory, of which 64 plans with net claims of $60,159 million were removed due to expected eligibility for SFA, three plans with net claims of $1,499 million were removed due to being classified as remote, one plan with a net claim of $128 million was removed due to being reclassified as reasonably possible, and another with a net claim of $24 million was removed due to a plan merger. Two new probable plans with net claims of $7 million were added to the multiemployer inventory.

Multiemployer Probable Insolvent Activity

- The $62,399 million decrease in probable insolvent plan liability from $63,871 million at September 30, 2020 to $1,472 million at September 30, 2021, was primarily due to 38 plans with net claims of $60,582 million that were removed from the probable insolvent inventory. Other factor contributing to the decrease in the probable insolvent liability was a $1,061 million decrease in the small plan bulk reserve, $184 million in credits due to expected rates of return on probable plan assets, $142 million in credits from change in mortality assumptions (change in projection scale), $94 million in credits due change in interest factors (which resulted from increases in market interest rates), and $92 million from change due to expected rates of return.

Multiemployer Insolvent Activity

- The $1,449 million decrease in insolvent plan liability (i.e., plans currently receiving financial assistance) from $2,994 million at September 30, 2020 to $1,545 million at September 30, 2021, was primarily due to 31 deleted plans with net claims of $1,206 million, $133 million in credits due to expected interest on accrued liabilities, $109 million in credits do to change in mortality table, $46 million in credits due to the change in interest factors, offset by $74 million due to the transfer of nine plans to receiving financial assistance. PBGC paid $230 million in financial assistance consisting of $221 million in financial assistance to 109 insolvent plans, and $9 million in financial assistance as part of PBGC's first facilitated merger of two multiemployer plans under Multiemployer Pension Reform Act of 2014 (MPRA).

Single-Employer Financial Position

- The Single-Employer Program's FY 2021 cumulative results of operations improved by $15,459 million, resulting in a positive cumulative results of operations of $30,937 million as of September 30, 2021. The primary factors of the Single-Employer Program's FY 2021 net income of $15,459 million included $5,282 million in credits due to change in interest factors (which resulted from increases in market interest rates), $4,531 million in net premium and other income, a gain of $4,058 million in investment income, and $3,940 million in credits from actuarial adjustments. These favorable factors for the Single-Employer Program were offset by $1,022 million in losses from completed and probable terminations, $762 million in charges due to expected interest related to PBGC's liabilities of $119,576 million as of September 30, 2020, and $568 million in administrative, investment, and other expenses.

INVESTMENTS

Single-Employer Investment Activity

- **Global Public Stock** – Global equities posted modest declines in the fourth quarter of FY 2021 but ended the fiscal year with strong and double-digit positive returns. U.S. equities were the best performing, followed by developed equities and emerging markets. All regions ended the FY 2021 with positive double digits-returns.

  For FY 2021, global equity market returns generated $6,829 million of investment income from equity investments compared to investment income of $2,087 million for FY 2020 (30.25 percent return for Total Global Public Stock in FY 2021 versus 7.41 percent in FY 2020).

- **Global Bonds** – Global bonds posted negative return due to the increased concerns about inflation, economic growth and expectation of higher interest rates. The Treasury yield curve shifted up and steepened in FY 2021, with yields at the shorter end of the curve increasing more than yields at the longer end. Investment-grade bonds posted modest positive returns, lagging equities significantly. Government/Treasury bonds underperformed corporate bonds, and long-duration bonds underperformed shorter-duration bonds. High-yield bonds and emerging market debt posted positive returns with high yield bonds posting double digit returns.

  For FY 2021, global fixed income generated a loss of $3,890 million from fixed income investments compared to a gain of $10,507 million for FY 2020. This reflects lower fixed income returns (-4.05 percent return for Total Global Bonds in FY 2021 versus 11.51 percent in FY 2020).

- **Real Estate Investment Trusts (REITS)** – Similar to global equity market, REITs also delivered strong returns during FY 2021 broadly benefiting from re-openings this year. REITs ended the year with double digit positive returns.

  For FY 2021, REITS generated a gain of $873 million from real estate investments compared to a loss of $118 million for FY 2020 (39.31 percent return for US REITs in FY 2021 versus -15.92 percent in FY 2020).

- **Combined Single-Employer Investment Return** – FY 2021 investment returns contributed to a total PBGC combined investment gain of $4,058 million. PBGC's Total Fund Composite (excluding transition accounts) earned 2.49 percent in FY 2021, exceeding the Total Fund Benchmark return of 1.86 percent.

Multiemployer Investment Activity

U.S. Treasury Bonds – US Treasury bonds posted negative returns during FY 2021. Both long and intermediate Treasuries posted negative returns with the long Treasuries significantly underperforming intermediate Treasuries.

For FY 2021, multiemployer fixed income generated a loss of $47 million from fixed income investments compared to a gain of $180 million for FY 2020. This reflects lower fixed income returns (-1.71 percent return for multiemployer revolving fund in FY 2021 versus 7.89 percent in FY 2020).

OPERATIONS

- PBGC's combined (i.e., the Memorandum Total which is comprised of both the Single-Employer and Multiemployer Program activity) single-employer benefit payments and multiemployer financial assistance paid were $6,670 million in FY 2021 and $6,299 million in FY 2020. PBGC assumed responsibility for the benefit payments of an additional 33,895 workers and retirees in the 47 single-employer plans that were trusteed during FY 2021.
- FY 2021 combined (Memorandum Total) net premium income decreased by $1,143 million to $4,842 million compared to FY 2020 net premium income of $5,985 million. The primary components of the combined net premium income were variable rate premium (VRP) income of $2,628 million and flat rate premium income of $2,164 million. Overall, this represented a 19 percent year-to-year decrease in combined premium income and is largely due to (a) improved conditions of the plans' underfunding (i.e., lower Unfunded Vested Benefits), (b) amended filings pursuant to PBGC Technical Update 20-2 resulting in lower variable rate premiums, and (c) premium adjustments and rate changes for several Cooperative and Small-Employer Charity (CSEC) plans; offset by (d) income increases due to higher premium rates for both the flat and variable rate premiums (see Note.11).
- During FY 2021, PBGC assumed financial responsibility for 42 underfunded single-employer plans that were terminated. Some of these plans are pending the completion of a trusteeship agreement with PBGC as of year-end. Four of these 42 terminated plans were previously classified as a probable termination by PBGC. These 42 terminated plans had an average funded ratio of about 78 percent, and these terminations resulted in an aggregate net loss to PBGC of $1,239 million (see Note 12).
- As of September 30, 2021, there was one single-employer plan (net claim of $135 million) classified as a probable termination. Probable terminations represent PBGC's best estimate of claims for plans that are classified as likely to terminate in a future year.
- As of September 30, 2021, the present value of multiemployer nonrecoverable future financial assistance of $3,017 million consists of 77 insolvent plans ($1,545 million), and 57 terminated plans not yet insolvent but probable ($1,472 million). As a result of the new SFA program, there are no ongoing probable plans that are projected to exhaust plan assets within 10 years as they have been removed from inventory. Included in the insolvent plan liability is $9 million from PBGC's first facilitated merger of two multiemployer plans under the Multiemployer Pension Reform Act of 2014 (MPRA). This new merged plan is not included in the insolvent plan count (see Note 7).

ESTIMATES OF REASONABLY POSSIBLE CONTINGENCIES

- At fiscal year-end, PBGC's estimate of its single-employer reasonably possible exposure decreased to $105,381 million in FY 2021, a $70,809 million decrease compared to $176,190 million in FY 2020. This decrease is primarily due to very positive investment results on plan assets during calendar 2020 and the decline in the number of companies with lower than investment grade bond ratings and/or credit scores that therefore are classified as reasonably possible (see Note 9 for discount factors utilized in calculating the reasonably possible estimate).

- PBGC's estimate of its multiemployer reasonably possible exposure decreased to $329 million in FY 2021, an $8,983 million decrease from the $9,312 million in FY 2020. The primary reason for the decrease in exposure was due to the net effect of removing thirteen plans that are no longer classified as reasonably possible ($6,552 million decrease) while only two new plans are classified as reasonably possible ($147 million increase). Another driver of the decrease was the decline in the reasonably possible small plan bulk reserve due to adjustments made to account for the new SFA Program.

KEY SINGLE-EMPLOYER AND MULTIEMPLOYER RESULTS

(Dollars in millions)		**FY 2021**		FY 2020
Insurance Activity				
SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS MEMORANDUM TOTAL				
Single-Employer Benefits Paid	**$**	**6,440**	$	6,125
Multiemployer Financial Assistance Paid	**$**	**230**	$	173
Retirees Receiving Benefits (at end of year)		**1,020,494**		1,064,083
Total Participants Receiving or Owed Benefits (at end of year)		**1,574,000**		1,580,000
New Underfunded Terminations		**42**		67
Terminated/Trusteed Plans (combined to date)		**5,078**		5,041
Plans That Have Received Financial Assistance		**77**		91
Summary of Operations				
SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS MEMORANDUM TOTAL				
Premium Income, Net	**$**	**4,842**	$	5,985
Losses (credits) From Completed and Probable Terminations	**$**	**1,022**	$	1,926
Losses (credits) From Financial Assistance	**$**	**(63,736)**	$	(1,137)
Investment Income	**$**	**4,011**	$	12,650
Actuarial Charges and Adjustments	**$**	**(8,638)**	$	9,055
Financial Position				
SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS MEMORANDUM TOTAL				
Total Assets	**$**	**154,204**	$	146,616
Total Liabilities	**$**	**122,786**	$	194,887
Net Income (Loss)	**$**	**79,686**	$	8,239
Cumulative Results of Operations	**$**	**31,415**	$	(48,271)
SINGLE-EMPLOYER PROGRAM				
Total Assets	**$**	**150,692**	$	143,472
Total Liabilities	**$**	**119,755**	$	127,994
Net Income (Loss)	**$**	**15,459**	$	6,822
Cumulative Results of Operations	**$**	**30,937**	$	15,478
MULTIEMPLOYER PROGRAM				
Total Assets	**$**	**3,512**	$	3,144
Total Liabilities	**$**	**3,031**	$	66,893
Net Income (Loss)	**$**	**64,227**	$	1,417
Cumulative Results of Operations	**$**	**478**	$	(63,749)

The Single-Employer Program and Multiemployer Program are separate by law.

The "Single-Employer and Multiemployer Programs Memorandum Total" data totals presented above are solely an entity-wide informational view of PBGC's two independent insurance programs.

FINANCIAL SUMMARY – SINGLE-EMPLOYER PROGRAM

		Fiscal Year Ended September 30,									
(Dollars in millions)		**2021**	2020	2019	2018	2017	2016	2015	2014	2013	2012
Insurance Activity:											
Benefits paid	$	**6,440**	6,125	6,020	5,792	5,699	5,659	5,570	5,522	5,449	5,384
Participants receiving monthly benefits at end of year[1]		**967,506**	984,474	887,138	861,371	839,772	838,493	825,666	812,608	799,210	781,160
Plans trusteed and pending trusteeship by PBGC[2]		**5,068**	5,031	4,965	4,919	4,845	4,769	4,706	4,640	4,557	4,446
Summary of Operations:											
Premium income, net	$	**4,511**	5,663	6,352	5,518	6,739	6,379	4,138	3,812	2,943	2,642
Other income	$	**20**	28	47	38	184	25	11	22	38	13
Investment income (loss)	$	**4,058**	12,470	14,820	1,502	5,363	8,648	324	6,439	2,741	8,792
Actuarial charges and adjustments (credits)	$	**(8,460)**	8,875	14,409	(6,468)	(950)	11,515	9,504	1,864	3,054	14,874
Losses (credits) from completed and probable termination	$	**1,022**	1,926	91	(322)	3,063	(417)	(780)	(115)	468	2,006
Administrative and investment expenses	$	**559**	538	488	489	481	465	446	464	434	443
Other expenses	$	**9**	16	14	6	26	4	30	17	5	-
Net income (loss)	$	**15,459**	6,822	6,217	13,353	9,666	3,485	(4,727)	8,043	1,761	(5,876)
Summary of Financial Position:											
Cash and investments[3]	$	**138,854**	134,244	118,119	101,310	96,830	89,596	80,090	81,215	77,881	76,941
Total assets	$	**150,692**	143,472	128,068	109,941	106,196	97,342	85,735	88,013	83,227	82,973
Present value of future benefits	$	**108,929**	120,430	113,100	101,866	111,280	113,704	106,926	102,774	105,018	105,635
Cumulative Results of Operations	$	**30,937**	15,478	8,656	2,439	(10,914)	(20,580)	(24,065)	(19,338)	(27,381)	(29,142)

[1] This measure may differ from yearly performance numbers reported in PBGC's Annual Performance Report, which also include participants whose benefit payments ended during the year (for example, due to death or a final lump-sum payout).
[2] These cumulative measures may differ due to plans that terminated in a prior year may have been removed from inventory in a subsequent year.
[3] Cash and investments consists of Cash and cash equivalents, Total investments, and Receivables, net: Investment income.

As a general note, a dash "-" indicates no net activity to be reported.

FINANCIAL SUMMARY – MULTIEMPLOYER PROGRAM

		Fiscal Year Ended September 30,									
(Dollars in millions)		**2021**	2020	2019	2018	2017	2016	2015	2014	2013	2012
Insurance Activity:											
Financial assistance paid	$	**230[1]**	173	160	153	141	113	103	97	89	95
Plans that have received financial assistance		**109**	91	85	78	72	65	57	53	44	49
Summary of Operations:											
Premium income, net	$	**331**	322	310	292	291	282	212	122	110	92
Contributed transfer appropriation income	$	**1**	-	-	-	-	-	-	-	-	-
Other income	$	**37**	-	-	-	-	-	-	-	-	-
Investment income (loss)	$	**(47)**	180	442	(52)	(53)	143	68	75	(96)	91
Actuarial charges and adjustments (credits)	$	**(178)**	180	340	(147)	(23)	167	135	95	41	164
Losses (credits) from insolvent and probable plans - financial assistance	$	**(63,736)**	(1,137)	(11,662)	(10,830)	6,438	6,768	9,963	34,260	2,969	2,466
Special financial assistance expense	$	-	-	-	-	-	-	-	-	-	-
Administrative and investment expense	$	**8**	42	40	41	42	39	32	18	25	20
Administrative special financial assistance	$	**1**	-	-	-	-	-	-	-	-	-
Net income (loss)	$	**64,227**	1,417	(11,290)	11,176	(6,219)	(6,549)	(9,850)	(34,176)	(3,021)	(2,467)
Summary of Financial Position:											
Cash and investments[3]	$	**2,978**	2,951	2,676	2,137	2,080	2,037	1,768	1,701	1,715	1,804
Restricted cash	$	**3**	-	-	-	-	-	-	-	-	-
Total assets	$	**3,512**	3,144	2,858	2,311	2,262	2,204	1,924	1,769	1,719	1,807
Present value of future benefits	$	**-**	-	-	-	-	-	-	-	-	1
Nonrecoverable future financial assistance, present value	$	**3,017**	66,865	67,995	56,153	67,283	61,009	54,186	44,190	9,931	7,010
Cumulative Results of Operations	$	**478**	(63,749)	(65,166)	(53,876)	(65,052)	(58,833)	(52,284)	(42,434)	(8,258)	(5,237)

[1] This amount consists of $221 million in financial assistance paid to 109 insolvent plans and $9 million to PBGC's first facilitated merger under MPRA (See Note 7).
[2] 111 plans received financial assistance in FY 2021, 77 are expected to continue to receive financial assistance. Previously in FY 2020, 95 plans received financial assistance and as of September 30, 2020, there were 91 plans expected to continue to receive financial assistance.
[3] Cash and investments consists of Cash and cash equivalents, Total investments, and Receivables, net: Investment income.

As a general note, a dash "-" indicates no net activity to be reported.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

I. INTRODUCTION

PBGC management believes its discussion and analysis of its financial statements and other statistical data will help all interested parties and readers better understand PBGC's financial condition and results of operations. Readers should consider this material in conjunction with the Annual Performance Report starting on page 1, the financial statements beginning on page 64, and the accompanying notes beginning on page 68.

II. FINANCIAL AND PROGRAM RISKS

As of September 30, 2021, the Single-Employer and Multiemployer Programs reported cumulative results of operations of $30,937 million and $478 million, respectively. The Single-Employer Program's cumulative results of operations improved by $15,459 million, resulting in cumulative results of operations of $30,937 million. The Multiemployer Program's cumulative results of operations improved significantly by $64,227 million, resulting in a positive cumulative results of operations of $478 million. The Corporation has $150,692 million in single-employer assets and $3,512 million in multiemployer assets and will be able to meet its obligations for a number of years. Most importantly, under Section 4005(g) of ERISA, the Single-Employer and Multiemployer Programs are separate by law and, therefore one program's resources cannot be used to fund the activities of the other. It is important to note that the special financial assistance program created by the American Rescue Plan Act of 2021 (ARP) is expected to enable PBGC to satisfy long-term multiemployer obligations by shoring up currently insolvent and probable plans which in turn should significantly reduce the total present value of nonrecoverable future financial assistance. (For more information, please refer to Section V. Overall Capital and Liquidity and Section VI. Single-Employer and Multiemployer Exposure).

In FY 2021, significant factors beyond PBGC's control, including the performance of financial markets, changes in interest rates, and the solvency of insured pension plans, continued to influence PBGC's underwriting income and investment gains or losses.

PBGC's operating results can change markedly from year to year depending on the severity of losses from plan terminations, investment performance, changes in the interest factors used to discount future benefit payments, general economic conditions, changes in law, and other factors. PBGC's operating results may vary more than those of most private insurers, in part because PBGC must insure against catastrophic risk without all the tools private insurers use to address risk. Most private insurers can diversify or reinsure their catastrophic risks or apply traditional insurance underwriting methods to mitigate these risks. Unlike private insurers, the Corporation cannot decline insurance coverage or provide a lower level of coverage, regardless of the potential risk posed by an insured plan. Private insurers can also adjust premiums in response to risk, while PBGC cannot. PBGC's premiums are set by statute.

Claims against PBGC's insurance programs vary greatly from year to year. The termination or insolvency of a single large pension plan may result in a larger claim against the Corporation than the termination or insolvency of many smaller plans. Thus, future claims will continue to depend largely on the failures of large plans. Additionally, PBGC's risks are concentrated in certain industries. Finally, PBGC's financial condition is sensitive to market risk. Interest rates and equity returns affect not only PBGC's own assets and liabilities but also those of PBGC-insured plans.

III. LEGISLATIVE AND REGULATORY DEVELOPMENTS

LEGISLATIVE DEVELOPMENTS

The Consolidated Appropriations Act, 2021 and the American Rescue Plan Act of 2021, both enacted in FY 2020, contain provisions relating to PBGC's insurance programs:

Consolidated Appropriations Act, 2021

The Consolidated Appropriations Act, 2021 (P.L. 116-260), enacted December 27, 2020, contains various provisions affecting retirement plans. The main provision relating to PBGC's insurance programs is:

- ***Health Coverage Tax Credit.***[3] The Health Coverage Tax Credit (HCTC) is a federal tax credit administered by the Internal Revenue Service, for 72.5 percent of health care insurance premiums, which may apply to certain individuals who are at least 55 and up to 65 years of age, including such individuals who are receiving benefits from PBGC. Prior to the new law, the HCTC was set to expire on December 31, 2020. The new law extends the HCTC by one year through December 31, 2021.

American Rescue Plan Act of 2021

The American Rescue Plan (ARP) Act of 2021, enacted on March 11, 2021, contains several provisions relating to PBGC's insurance programs:

- ***Special Financial Assistance.***[4] Certain financially troubled multiemployer plans are allowed to apply for "Special Financial Assistance." Upon approval of an application, PBGC will make a single, lump-sum payment to eligible multiemployer plans to enable them to pay benefits at plan levels. Plans are not required to repay Special Financial Assistance (SFA), which is funded by general revenues from the U.S. Treasury. The new program is financially separate from PBGC's insolvency insurance program and is funded by an indefinite appropriation with periodic transfers from Treasury to a newly established fund at PBGC. No transfers may be made after September 30, 2030. On July 9, 2021, PBGC posted on its website its interim final rule and associated guidance implementing the SFA Program, meeting the statute's requirement to issue guidance within 120 days of enactment. See Regulatory and Related Activities below for more information on the special financial assistance interim final rule.
- ***Other provisions***. ARP also provides a multiemployer premium rate increase for plan years beginning after 2030, temporary elective zone status and funding relief for multiemployer plans, extended amortization periods and modification of the interest rate stabilization rules for single-employer plans, and modifications of the eligibility requirements for the funding rules that apply to community newspaper plans and certain related plans.

[1] Section 134 of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (Division EE of the Consolidated Appropriations Act, 2021).
[2] Section 9704 of the American Rescue Plan Act of 2021 (P.L. 117-2).

REGULATORY AND RELATED ACTIVITIES

The American Rescue Plan (ARP) Act of 2021, enacted on March 11, 2021, added a new section 4262 of ERISA to create a program to enhance retirement security for millions of Americans by providing special financial assistance (SFA) to certain financially troubled multiemployer plans. The SFA Program is expected to assist plans covering more than 3 million participants and beneficiaries, including the provision of funds to reinstate suspended monthly benefits going forward, and for make-up payments to restore previously suspended benefits of participants and beneficiaries. In turn, the SFA Program improves the financial condition of PBGC's Multiemployer Insurance Program.

As noted above, under new section 4262 of ERISA, PBGC was required within 120 days to prescribe in regulations or other guidance the requirements for SFA applications. To implement the program, on July 9, 2021, PBGC released an interim final rule adding a new part 4262 to its regulations, "Special Financial Assistance by PBGC." The interim final rule was published in the Federal Register on July 12, with a 30-day comment period ending on August 11, 2021. PBGC received over 100 comments, which are being reviewed, and will move to publish a final rule when that review has concluded. Part 4262 provides guidance to multiemployer pension plan sponsors on eligibility, determining the amount of SFA, content of an application for SFA, the process of applying, PBGC's review of applications, and restrictions and conditions on plans that receive SFA. PBGC also released instructions and guidance on assumptions used for determining eligibility and the amount of SFA. PBGC held two webinars related to the interim final rule on the SFA application and review process; restrictions, conditions, and reporting; agency guidance; and program resource.

PBGC also continues to update its existing regulations, including to protect plan participants and minimize burdens on pension plans and plan sponsors, as part of its ongoing regulatory review. In FY 2021, PBGC published:

- A final rule that implements statutory provisions affecting the determination of a withdrawing employer's liability under a multiemployer plan and annual withdrawal liability payment amount when the plan has had benefit reductions, benefits suspensions, surcharges, or contribution increases that must be disregarded. The final rule also provides simplified withdrawal liability calculation methods.
- A proposed rule that would update PBGC's regulation on requesting, obtaining, and examining records to reflect statutory changes to the Freedom of Information Act and current agency practice.

In addition, in FY 2021, PBGC:

- Complied with an Executive Order on regulations and guidance, "Executive Order on Revocation of Certain Executive Orders Concerning Federal Regulation," by rescinding PBGC's rule on guidance.
- Published a final rule adopting PBGC's interim final rule as final to exempt from disclosure information contained in a system of records for PBGC's insider threat program.

IV. DISCUSSION OF INSURANCE PROGRAMS

PBGC operates two separate insurance programs for defined benefit plans. PBGC's Single-Employer Program guarantees basic pension benefits when underfunded plans terminate, when a plan sponsor demonstrates it can no longer afford its plan or goes out of business. By contrast, in the Multiemployer Program, the insured event is plan insolvency, whether or not the plan is terminated. PBGC's Multiemployer Program provides traditional financial assistance to insolvent covered plans to pay benefits at the level guaranteed by law.

The American Rescue Plan (ARP) Act of 2021 establishes a new multiemployer Special Financial Assistance program (SFA), resulting in a new source of financing outside of PBGC's revolving fund. PBGC will receive appropriated SFA funds to disburse to multiemployer plans that meet certain criteria. Unlike traditional financial assistance wherein PBGC provides assistance to multiemployer plans in the form of a loan, the new special financial assistance will be provided via a transfer (passthrough of funds) with no obligation of repayment. At the end of each fiscal year, any unused appropriated SFA funds must be returned to the U.S. Treasury General Fund.

By law, the two programs are funded and administered separately, and their financial conditions, results of operations, and cash flows are reported separately. The accompanying financial statements for both programs, which appear on pages 64-67, have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Please refer to Note 2: "Significant Accounting Policies" for further detail, including a description of PBGC's valuation method used in determining benefit liabilities.

The impact of the COVID-19 pandemic on the Single-Employer and Multiemployer Insurance Programs' net positions lags any economic downturn, with plan terminations, insolvencies, and related contingencies often increasing for several years following the year in which the downturn begins. PBGC has seen an increase in bankruptcies but most, if not all, of these plan sponsors were experiencing financial difficulties prior to COVID-19. While the classification of contingent liabilities described in this report generally reflects information available as of September 30, 2021, given the uncertainty associated with the impact of the pandemic and the economic recovery, it is not possible at this time to reasonably estimate all the potential effects of the COVID-19 pandemic on the Single-Employer and Multiemployer Insurance Programs.

IV.A SINGLE-EMPLOYER PROGRAM RESULTS OF ACTIVITIES AND TRENDS

The Single-Employer Program covers about 22.7 million people (excluding those plans that PBGC has trusteed), down from the 23.5 million people PBGC covered in FY 2020. The number of covered ongoing plans at the end of FY 2021 was about 23,900.

Plans that were terminated in a standard termination had sufficient funding to cover future benefits and distributed all plan benefits as insurance company annuities or lump sums pursuant to the standard termination requirements of ERISA. In these cases, PBGC ensures that all standard termination applications comply with statutory and regulatory requirements. PBGC periodically audits a sample of fully funded pension plans that employers terminate to determine if earned benefits have been distributed to participants.

In contrast, PBGC becomes the trustee when a covered underfunded plan terminates. PBGC applies legal limits to payouts and pays the benefits. To determine the amount to pay each participant, PBGC takes into account (a) the benefit that the participant had accrued in the terminated plan, (b) the availability of assets from the terminated plan to cover benefits, (c) how much PBGC recovers from employers for plan underfunding, and (d) the limits on guaranteed benefits provided under ERISA. The guarantee limits are indexed (i.e., they increase in proportion to increases in a specified Social Security wage index) and vary based on the participant's age and elected form of payment. Because of indexing, the guarantee limits for plans that will fall in calendar year 2022 will be 2.8 percent higher than the limits that applied for 2021 as shown below for sample ages:

MAXIMUM GUARANTEED ANNUAL BENEFIT PAYABLE AS A SINGLE LIFE ANNUITY

Age	Plans Terminating in 2022	Plans Terminating in 2021
70	$123,595	$120,199
65	$74,455	$72,409
60	$48,396	$47,066
55	$33,505	$32,584

The guarantee limit is a cap on what PBGC guarantees, not on what PBGC pays. In some cases, such as when PBGC recovers sufficient plan assets to pay more than just the maximum guarantee benefit, PBGC pays benefits above the guarantee limit.

The applicable maximum guarantee is determined by the year the retiree's plan terminated (if the plan terminated during the plan sponsor's bankruptcy, the year the sponsor entered bankruptcy) and the participant's age at the earlier of the plan termination date (the date the sponsor entered bankruptcy, if earlier) or the date the participant begins collecting benefits.

Net income for the Single-Employer Program was $15,459 million in FY 2021. The primary drivers of this income included: credits of $5,282 million due to an increase in interest factors (which has the effect of decreasing benefit liabilities and actuarial charges), net premium income and other income of $4,531 million, investment income of $4,058 million, and $3,940 million in credits from actuarial adjustments. This was offset by $1,022 million in losses from completed and probable terminations, $762 million in actuarial charges due to expected interest on accrued liabilities, $428 million in administrative and other expenses, and $140 million in investment expenses.

PBGC's FY 2021 Single-Employer Program realized net income of $15,459 million compared to FY 2020 net income of $6,822 million. This favorable $8,637 million year-over-year change was primarily attributable to:

(1) An increase in actuarial credits due to change in interest factors of $11,489 million,
(2) an increase in actuarial adjustment credits of $3,988 million,
(3) a decrease in actuarial charges due to expected interest of $1,858 million,
(4) a decrease in losses from completed and probable terminations of $904 million (see "Single-Employer Underwriting Activity" below),

(5) a decrease in investment income of $8,412 million (a gain of $4,058 million in FY 2021 compared to a gain of $12,470 million in FY 2020),
(6) a decrease in net premium and other income of $1,160 million, and
(7) an increase in administrative, investment, and other expenses of $30 million,

Actuarial charges and adjustments arise from changes in mortality and retirement assumptions, changes in interest factors, and expected interest. Expected interest refers to the interest that PBGC expects to accrue during the current fiscal year based on PBGC's liability and interest factors at the end of the prior year, with adjustments made for new plans and benefit payments made during the year.

SINGLE-EMPLOYER UNDERWRITING ACTIVITY

PBGC's Single-Employer Program realized a net underwriting gain of $7,021 million in FY 2021, $3,707 million more than the FY 2020 gain of $3,314 million. This $3,707 million increase from the previous year was primarily due to $3,988 million favorable change in actuarial adjustment credits, $904 million decrease in losses from completed and probable terminations, offset by a $1,160 million decrease in single-employer net premium and other income and a $25 million increase in administrative and other expenses.

Premium and other income from underwriting activity decreased (from $5,691 million in FY 2020 to $4,531 million in FY 2021), largely due to a $1,142 decrease in variable rate premium income from plan sponsors (from $3,770 million in FY 2020 to $2,628 million in FY 2021). Other income, consisting of interest on recoveries from sponsors, decreased from $28 million in FY 2020 to $20 million in FY 2021. The decrease in FY 2021 was primarily due to a $7 million decrease of interest income from employer liability settlements. This 30 percent decrease in variable rate premium income was largely due to (a) improved conditions of the plans' underfunding (i.e., lower Unfunded Vested Benefits), (b) amended filings pursuant to PBGC Technical Update 20-2 resulting in lower variable rate premiums, (c) premium adjustments in the first, second, and third quarters of FY 2021 resulting from 2019 and 2020 filing for several CSEC plans, and (d) rate changes in the Premium and Practitioner System (PPS) in March 2021 to reflect lower CSEC rates for plan year 2021 resulting in a decrease in estimated accruals for CSEC plans; offset by (e) income increases due to higher premium rates for both the flat and variable rate premiums. Annual variable rate premium (VRP) income increased from $45 per $1,000 of underfunding (capped at $561 per participant) increased to $46 per $1,000 of underfunding (capped at $582 per participant) for plan years beginning in 2021.

Flat rate premium income for the Single-Employer Program decreased $45 million from $1,874 million in FY 2020 to $1,829 million in FY 2021. Factors contributing to this decrease include (a) amended filings in the second quarter of FY 2021 reducing the participant counts for several plan years; (b) premium adjustments in the first, second, third, and fourth quarters of FY 2021 resulting from 2019 and 2020 filings for several CSEC plans, and (c) rate changes in PPS in March 2021 to reflect lower CSEC rates for plan year 2021 resulting in a decrease in estimated accruals for CSEC plans; offset by (d) increases in the per participant flat rate premium for plan years beginning in 2020 and for plan years beginning in 2021.

A plan's present value of vested benefits for VRP purposes is determined using three "segment" rates without regard to the Moving Ahead for Progress in the 21st Century Act (MAP-21) interest rate stabilization rules. The first of these applies to benefits expected to be paid within five years of the first day of the plan year, the second applies to the following 15 years, and the third applies to benefits expected to be paid after that.

The U.S. Department of Treasury (U.S. Treasury) determines each segment rate monthly using the portion of a corporate bond yield curve that is based on corporate bonds maturing during that segment rate period. The corporate bond yield curve is also prescribed every month by the Treasury. It reflects the yields for the previous month on investment-grade corporate bonds with varying maturities that are in the top three quality levels. PBGC's regulation provides a few alternatives with respect to which month's rates are used and whether the segment rates are averaged over 24-months.

The Corporation's "Losses (credits) from completed and probable plan terminations" decreased from a loss of $1,926 million in FY 2020 to a loss of $1,022 million in FY 2021. The $1,022 million loss is due to $1,239 million in charges related to new plan terminations and $52 million in losses from changes to single-employer probable claims, offset by $269 million in credits from revaluations of plans that had terminated in a prior year (see "Losses (credits) from Completed and Probable Terminations – Single-Employer Program" table in Note 12).

The net claim for single-employer probable terminations as of September 30, 2021, was $254 million, while the net claim as of September 30, 2020, was $202 million. This $52 million increase is due to the addition of one new probable plan with a net claim of $135 million and the increase in the reserve for small unidentified probables of $20 million, offset by the termination of one probable plan with a net claim of $103 million (see Note 6).

Single-employer administrative expenses increased by $32 million from $387 million in FY 2020 to $419 million in FY 2021.

In summary, the following key metrics describe the components of PBGC's single-employer present value of future benefits liability:

- $108,645 million – trusteed plans (5,045 plans),
- $13 million – plans pending termination and trusteeship (23 plans),
- $254 million – claims for probable terminations and reserve for small single-employer unidentified plans (there was one specifically identified single-employer probable plan at September 30, 2021), and
- During FY 2021, PBGC terminated 42 underfunded single-employer plans with a net claim of $1,239 million.

SINGLE-EMPLOYER FINANCIAL ACTIVITY

Single-employer financial activity reflected a gain of $8,438 million in FY 2021, $4,930 million more than the FY 2020 gain of $3,508 million. This is due to $4,520 million in net actuarial credits (compared with a net charge of $8,827 million in FY 2020) and $4,058 million in investment income (compared with $12,470 million in FY 2020), offset by $140 million in investment expenses. PBGC marks its assets to market, which is consistent with the Financial Accounting Standards Board (FASB) Accounting Standards Codification Section 820, *Fair Value Measurements and Disclosures* (see Note 5).

Actuarial charges under financial activity represent the effects of changes in interest factors and the expected interest accrued on the present value of future benefits. The change in interest factors generally reflects the difference between the liability for future benefits of terminated plans at year-end when valued using updated interest factors compared to the liability when valued using the prior year's interest factors. An actuarial credit of $5,282 million due to the change in interest factors occurred in FY 2021 due to an increase in the interest factors from FY 2020.

Expected interest refers to the interest that PBGC expects to accrue during the fiscal year on PBGC's liability at the end of the prior year based on the interest factor in effect at the beginning of the year. The interest factor in effect at the beginning of FY 2021 (0.62%) decreased compared to the factor at the beginning of FY 2020 (2.36%). The Single-Employer Program's expected interest charges decreased in FY 2021 (from $2,620 million in FY 2020 to $762 million in FY 2021).

PBGC's single-employer Total Present Value of Future Benefits (PVFB) decreased from $120,430 million at September 30, 2020 to $108,929 million at September 30, 2021.

Components of PBGC's single-employer PVFB of $108,929 million are as follows:

- Trusteed plans – $108,645 million
- Plans pending termination and trusteeship – $13 million
- Settlements and judgements – $17 million
- Claims for probable terminations – $254 million

PBGC discounts its liabilities for future benefits with interest factors[1] that, together with the mortality table used by PBGC, approximate the price in the private-sector annuity market at which a plan sponsor or PBGC could settle its obligations. PBGC uses a curve of interest factors to determine the actuarial present value of estimated future benefit payments (see Note 6). The curve of spot rates for September 30, 2021 starts with an interest factor of 0.44% in year 1 and changes as the future period for discounting gets longer until year 31 when the factor becomes 2.30% for the remaining years. The curve of spot rates for September 30, 2020 starts with an interest factor of 0.62% in year 1 and changes as the future period for discounting gets longer until year 31 when the factor becomes 1.49% for the remaining years.

To determine future mortality rates, PBGC used the same mortality table and updated the generational projection scale from MP-2019 used for September 30, 2020 to MP-2020 used for September 30, 2021. The impact to PVFB from this mortality assumption change is included in the actuarial adjustments (credits) amount reported in the Underwriting section of the Statements of Operations.

IV.B MULTIEMPLOYER PROGRAM RESULTS OF ACTIVITIES AND TRENDS

On March 11, 2021, the American Rescue Plan (ARP) Act of 2021 was enacted into law. ARP established the Special Financial Assistance (SFA) Program for distressed multiemployer plans that meet specific criteria. The

[1] PBGC surveys life insurance industry annuity prices through the American Council of Life Insurers (ACLI) to obtain input needed to determine interest spread factors and then derives a 30 year curve of interest factors that together with PBGC's mortality assumption best matches the private sector annuity prices from the ACLI surveys. PBGC's process derives the curve of interest factors that differs least over the range of annuity prices in the ACLI surveys (see Note 6).

SFA Program is to be administered by PBGC and is funded by general U.S. Treasury monies, not by PBGC's multiemployer insurance fund.

The amount of SFA funding to which an eligible plan is entitled is the amount the plan requires to pay all benefits and expenses, net of plan resources (including plan assets, projected future contributions, and withdrawal liability collections), through the plan year ending in 2051. The SFA payment also includes reinstatement of benefits previously suspended due to implementation of benefit suspensions under the Multiemployer Pension Reform Act (MPRA).

PBGC must process all SFA applications within 120 days of receipt. Upon PBGC's approval of the plan's application, PBGC will pay the SFA funds to the plan in a single lump sum with no requirement for repayment. To accurately reflect the impact of SFA eligibility on PBGC's accrued and contingent liability, multiemployer plans expected to be eligible and eventually approved for SFA are not considered high risk and will be classified as remote. For an insolvent, but not yet terminated, plan that has an obligation to repay traditional financial assistance under section 4261 of ERISA, PBGC will issue two disbursements. The first disbursement will be a lump sum transfer to the plans to cover future benefit payments requested in the Plan's SFA application. The second disbursement reimburses PBGC for the loan amount of traditional financial assistance (includes premium waivers and interest) previously provided.

ARP specifies that multiemployer plans must satisfy one or more criteria to be eligible for SFA. The criteria are as follows:

1. The plan is in critical and declining status in any plan year beginning in 2020 through 2022
2. The plan has an approved suspension of benefits under MPRA as of March 11, 2021
3. In any plan year beginning in 2020 through 2022, the plan meets one or more of the following criteria provided that all three criteria are met by the end of the 2022 plan year:
    a. The plan is in critical status
    b. The plan has a modified funding percentage of less than 40 percent
    c. The plan has a ratio of active to inactive participants which is less than 2 to 3
4. The plan became insolvent after December 16, 2014, and has not terminated as of March 11, 2021

PBGC's determinations on plans' eligibility for SFA are not officially made until after plans have submitted an application and PBGC has completed its review. For purposes of determining financial statement classification only, PBGC considers a plan that is reported to be in critical and declining status for any plan year after 2018 to be eligible for SFA under criteria (1) above. Plans that are eligible under criteria (2) are listed on the Treasury Department's website. PBGC considers any plan that meets the criteria in (3) based on information reported on its Form 5500 filing for any plan year after 2018 to be eligible for SFA for classification purposes. The information PBGC maintains on insolvent plans receiving traditional financial assistance under Section 4261 of ERISA is sufficient to determine eligibility under criteria (4).

PBGC has a high expectation that every SFA eligible plan for which PBGC has accrued liability or classified as a reasonably possible loss will apply for this assistance. Based upon the prior year filings for ongoing probables, as well as more currently available information, it is anticipated that those applications for SFA will be approved and funded.

The financial impact of the SFA Program is to reduce the category of ongoing plans to approximately a zero liability for individually identified high risk plans (the only exception being a small plan bulk reserve) on the Statements of Financial Position. This significantly reduces the liability for the multiemployer program.

Since the SFA funding to eligible plans will likely enable the plans to pay benefits for the next 30 years, nearly the entire amount of the traditional financial assistance liability recognized in previous years, for ongoing probable plans, has been reversed (i.e., unbooked). The previous amount disclosed for reasonably possible plans has also been significantly decreased. These SFA eligible plans are no longer considered to be in the high-risk category as defined by either (1) projected insolvency over the next 20 years, (2) currently classified as critical and declining status, or (3) meeting the projected insolvency thresholds as defined in the PBGC's procedures. Therefore, the end result is that these SFA eligible plans are classified as remote and not presented within PBGC's financial statements.

The Multiemployer Program covers about 10.9 million participants in about 1,360 insured plans. A multiemployer plan is a pension plan sponsored by two or more unrelated employers under collective bargaining agreements with one or more unions. Multiemployer plans cover most unionized workers in the trucking, retail food, construction, mining, garment, and other industries. Workers accrue pension credits in the plan even when they change employment from one contributing employer to another. For a participant with 30 years of service, the maximum annual benefit guarantee is $12,870, which is much lower than for the participants under the Single-Employer Program (where premiums rates are higher).

Multiemployer plans are typically governed by a board of trustees appointed in equal numbers by labor and management. Under ERISA, the trustees have a fiduciary duty to act solely in the interest of participants and beneficiaries. Multiemployer plans are subject to ERISA's minimum funding requirements with contributions held in a trust fund managed by the board to pay benefits and plan expenses. Assets do not revert to contributing employers. Although bargaining parties negotiate over plan contributions, they usually delegate establishment of benefit levels and plan design to the trustees.

Most collective bargaining agreements that cover multiemployer plans provide for contributions based on time worked in a covered job. Most plans base contributions on "number of hours worked." In some plans, benefits depend on the level of contributions that employers make to the plan for the participants' work.

Employers in multiemployer plans generally remain in the plan unless they go out of business, bargain out of the plan, or move their business out of the plan coverage area. If an employer withdraws from the plan, it may be assessed withdrawal liability. Withdrawal liability is generally based on the plan's unfunded vested benefits and the employer's share of total contributions made to the plan. The amount of withdrawal liability is based on the employer's share of the unfunded vested benefits in that plan, but is capped based generally on an employer's contribution history over the prior ten years and payable annually for no more than twenty years. In some instances, the employer may be assessed partial withdrawal liability.

PBGC does not trustee multiemployer plans. In the Multiemployer Program, the event triggering PBGC's guarantee is plan insolvency (the inability to pay guaranteed benefits when due), whether or not the plan has terminated. PBGC provides insolvent multiemployer plans with financial assistance, in the statutorily required form of loans (generally unsecured), sufficient to pay PBGC guaranteed benefits and reasonable administrative expenses. These loans generally continue until the plan no longer needs assistance or has paid all promised benefits at the guaranteed level. These loans are generally not repaid (except for plans receiving SFA), and for that reason they are fully reserved.

Benefits under the Multiemployer Program are calculated based on (a) the benefit a participant would have received under the insolvent plan, subject to (b) the legal multiemployer guarantee under ERISA. The guaranteed amount depends on the participant's years of service and the level of the benefit accruals. Monthly benefit accrual rates per year of service up to $11 are fully guaranteed; the portion of monthly benefit accrual rates between $11 and $44 is 75 percent guaranteed; monthly benefit accrual rates in excess of $44 are not guaranteed. For example, for a participant with 20 years of service, PBGC's guarantee would cover 100 percent of annual amounts up to $2,640 and partially cover amounts in excess of that not to exceed a total of $8,580 per year. Similarly, for a participant with 30 years of service, PBGC's guarantee would cover 100 percent of annual amounts up to $3,960 and partially cover amounts in excess of that not to exceed a total of $12,870 per year. Additionally, for a participant with 40 years of service, PBGC's guarantee would cover 100 percent of annual amounts up to $5,280 and partially cover amounts in excess of that not to exceed a total of $17,160 per year. The multiemployer guarantee limit has been in place since 2001.

As shown in the Statements of Financial Position on page 65, the liability for financial assistance that PBGC provides to the multiemployer plans fall into two categories under the classification "Present value of nonrecoverable future financial assistance." The first category listed is for "Insolvent plans" (whether terminated or not) that have exhausted plan assets and are currently receiving financial assistance. The second category is for "Probable insolvent plans" representing plans that have terminated but not yet become insolvent (for the current year), as well as ongoing plans that are expected to exhaust plan assets and require financial assistance within the next 10 years.

During FY 2021, PBGC's obligations for future financial assistance to multiemployer plans decreased from $66,865 million at September 30, 2020, to $3,017 million at September 30, 2021, a decrease of $63,848 million or 95 percent, primarily due the American Rescue Plan (ARP) Act of 2021. The largest component of the current $3,017 million liability is the $1,545 million liability for insolvent plans, of which $906 million is attributable to 10 large plans.

MULTIEMPLOYER OVERALL FINANCIAL RESULTS

The Multiemployer Program reported net income of $64,227 million in FY 2021 compared with a net income of $1,417 million in FY 2020. This resulted in cumulative results of operations of $478 million in FY 2021 compared with a negative cumulative results of operations of $63,749 million in FY 2020.

The improvement in cumulative results of operations attributable to the following key drivers impacting Multiemployer Program liabilities:

(1) The implementation of ARP Act.
(2) Deletion of 69 plans that resulted in a $61,811 million decrease in program liabilities.
(3) A reduction to the small bulk reserve of $1,061 million.
(4) A favorable change due to change in mortality table that resulted in a $252 million reduction in program liabilities.
(5) A favorable change due to expected rates of return (investment income expected to be earned on probable plans' assets), which resulted in a $184 million decrease in program liabilities.
(6) A favorable change in the pension liability valuation interest factors, which generated a $140 million decrease in Multiemployer Program liabilities ($94 million related to multiemployer probable plans and $46 million to multiemployer insolvent plans).

(7) A favorable credit due to expected assistance resulted in a $138 million reduction in program liabilities.

PBGC uses a curve of interest factors to determine the actual present value of estimated benefit payments. For September 30, 2021, the curve of spot rates starts with an interest factor of 0.44% in year 1 and changes as the future period for discounting gets longer until year 31 when the factor becomes 2.30% for the remaining years. For September 30, 2020, the curve of spot rates starts with an interest factor of 0.62% in year 1 and changes as the future period for discounting gets longer until year 31 when the factor becomes 1.49% for the remaining years. (See Note 6 for the table of interest factors used.)

During FY 2021, PBGC paid $230 million in financial assistance consisting of $221 million in financial assistance to 109 insolvent plans and $9 million in financial assistance to PBGC's first facilitated merger of two multiemployer plans under MPRA. At year-end, there were 77 insolvent plans expected to continue receiving financial assistance covering about 52,982 participants in pay status with an additional 20,395 participants entitled to benefits once they retire. Comparatively, in FY 2020, PBGC paid $164 million in financial assistance to 94 insolvent plans, covering about 79,600 participants in pay status at the time.

MULTIEMPLOYER UNDERWRITING ACTIVITY

As shown on the Statements of Operations on page 66, underwriting activity reflected a net gain of $64,239 million in FY 2021. This was primarily attributed to a $63,736 million credit from financial assistance for insolvent and probable plans (primarily due to 69 deleted probable plans of $61,811 million (64 of these plans were expected to be eligible for Special Financial Assistance (SFA) and were removed from the inventory), $1,061 million decrease in the small plan bulk reserve, $295 million in credits from the reversal of the allowance for insolvent multiemployer plans expected to be eligible to receive Special Financial Assistance (which reflects the expected plans' repayment of traditional financial assistance – see Note 7), $184 million in credits due to expected rates of return on probable plan assets, $142 million in credits from change in mortality assumptions (change in projection scale), and $94 million in credits due change in interest factors (which resulted from increases in market interest rates). Additional favorable factors include $331 million in net premium income, $143 million in credits due to actuarial adjustments, and $37 million in other income, offset by $9 million in administrative expense. Other income of $37 million is primarily due to the reversal of the allowance of interest on notes receivable from insolvent multiemployer plans expected to be eligible to receive Special Financial Assistance.

Net premium income increased by $9 million from $322 million in FY 2020 to $331 million in FY 2021, due primarily to increases in the multiemployer per participant flat rate premium. The multiemployer flat rate premium for plan years beginning in 2021 increased to $31 per participant from the 2020 rate of $30 per participant.

MULTIEMPLOYER FINANCIAL ACTIVITY

As shown on the Statements of Operations on page 66, financial activity reflected a net loss of $12 million for FY 2021. This was attributed to $47 million loss from fixed income investments and a charge of $11 million due to expected interest, offset by credits of $46 million due to change in interest factors for plans known to be insolvent and plans about to begin receiving financial assistance. As required by law, Multiemployer Program investments consist solely of U.S. Treasury securities.

Multiemployer Program investments originate primarily from the cash receipts for premiums due from insured plans. PBGC is required to invest these premiums in obligations issued or guaranteed by the United States government.

Expected interest refers to the interest that PBGC expects to accrue during the fiscal year on PBGC's liability for plans known to be insolvent at the end of the prior year based on the interest factor in effect at the beginning of the year. The interest factor in effect at the beginning of FY 2021 (0.62%) decreased compared to the factor at the beginning of FY 2020 (2.36%). The multiemployer expected interest charges decreased from $68 million in FY 2020 to $11 million in FY 2021.

IV.C MISSING PARTICIPANTS PROGRAM

The Missing Participants Program (the Program) is governed by Section 4050 of ERISA. Under the Program, the benefits of missing participants can be transferred to PBGC or PBGC can be informed about other arrangements for distributing the missing participants' benefits. Through PBGC's search efforts, the Program helps participants find and receive the benefits being held for them. The expanded Program, which began in FY 2018, is designed to cover defined benefit single-employer plans that terminated under a standard termination, and as well as the terminations of defined contribution plans, small professional service pension plans, and multiemployer plans. Prior to FY 2018, the Program covered only insured single-employer defined benefit plans terminating in a standard termination. Plans in the Program are categorized as follows:

- Original (legacy) PBGC Insured Defined Benefit Single-Employer Plans (plans terminating on or before 12/31/2017)
- PBGC Insured Defined Benefit Single-Employer Plans (plans terminating on or after 01/01/2018)
- Defined Contribution Plans – noncovered by PBGC
- Small Professional Services Plans – Defined Benefit noncovered by PBGC
- PBGC Insured Multiemployer Plans

Note: A standard termination occurs when a sponsor of a PBGC insured defined benefit single-employer plan pays all the benefits it owes in a fully funded plan.

The September 30, 2021 total combined PVFB for the Missing Participants Program was $316 million for the participants whose benefits were transferred to PBGC, compared to $188 million at September 30, 2020, and is reported under "Present value of future benefits – Trusteed plans" on PBGC's balance sheet. This liability includes interest from the date of transfer at the Federal mid-term rate and is offset by the unlocatable participants' benefit payments ($198 million in FY 2021 compared to $86 million in FY 2020) that were transferred to the PBGC by plan sponsors and subsequent investment earnings.

V. OVERALL CAPITAL AND LIQUIDITY

PBGC's obligations include monthly payments to participants and beneficiaries in terminated defined benefit plans, financial assistance to multiemployer plans, investment management fees, and administrative operating expenses. The financial resources available to pay these obligations are underwriting income received from insured plan sponsors (largely premiums), the income earned on PBGC's investments, and the assets taken over from failed plans.

The Corporation has sufficient liquidity to meet its obligations for a number of years. PBGC's FY 2020 Projections Report show significant improvements in the projected solvency of the Multiemployer Program. Prior to enactment of ARP, PBGC's Multiemployer Program was projected to become insolvent in FY 2026. By providing special financial assistance to the most financially troubled multiemployer plans, ARP significantly extends the solvency of PBGC's Multiemployer Program. Additionally, ARP assists plans by providing funds to reinstate previously suspended benefits. Reflecting the significant monetary relief provided under ARP, the new projections show a median projected insolvency in 2055.

FY 2021 Memorandum Total premium cash receipts totaled $5,520 million, a decrease of $1,366 million from $6,886 million in FY 2020, largely due to improved conditions of plans' underfunding, which resulted in lower FY 2021 variable rate premium income. The FY 2021 decrease of $1,366 million primarily reflects peak filing and the payment of premiums in October 2020 for plan year 2020 premium filings which were lower than peak filing and the payment of premiums in October 2019 for plan year 2019 premium filings. Net cash flow provided by investment activities increased to $787 million in FY 2021 compared to $2,476 million used in FY 2020. In FY 2021, PBGC's cash receipts of $8,592 million from operating activities of the Single-Employer Program were sufficient to cover its operating cash obligations of $7,075 million. This resulted in net cash provided by operating activities of $1,517 million (as compared to net cash provided by operating activities of $3,161 million in FY 2020). When the single-employer cash provided through investing activities of $816 million is added to this net cash provided, the Single-Employer Program in the aggregate experienced a net cash increase of $2,333 million. In FY 2020, the Single-Employer Program experienced a net cash increase of $771 million.

PBGC's best estimate of FY 2022 premium receipts ranges between $4,750 million and $5,050 million. No reasonable estimates can be made for FY 2022 terminations, the effects of changes in interest rates, or investment income.

In the Multiemployer Program, cash receipts of $342 million from operating activities were sufficient to cover its operating cash obligations of $239 million, resulting in net cash provided by operations of $103 million. When this net cash provided is added to net cash used through investing activities of $29 million, the Multiemployer Program in the aggregate experienced an overall net cash increase of $74 million. In FY 2020, the Multiemployer Program experienced a net cash increase of $97 million.

During FY 2021, PBGC recovered $80 million through agreements with sponsors of terminated single-employer plans for unpaid contributions and unfunded benefits. A portion of those recovered funds are paid out as additional benefits to plan participants with nonguaranteed benefits according to statutory priorities.

In FY 2021, PBGC's combined (Memorandum Total) net increase in cash and cash equivalents amounted to $2,407 million, arising from an increase of $2,333 million for the Single-Employer Program and an increase of $74 million for the Multiemployer Program.

VI. SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAM EXPOSURE

PBGC estimates its single-employer loss exposure to reasonably possible terminations (e.g., underfunded plans sponsored by companies with credit ratings below investment grade) as $105,381 million at September 30, 2021 and $176,190 million at September 30, 2020. PBGC's exposure to loss may be less than these amounts because of the statutory guarantee limits on insured pension plans, but PBGC is unable to estimate prospectively the extent and effect of the guarantee limitations. These estimates are determined using a measurement date as of December 31 of the previous year (see Note 9). For FY 2021, this exposure was concentrated in the following sectors: manufacturing, transportation/communications/utilities, and services.

PBGC estimates that, as of September 30, 2021, it is reasonably possible that multiemployer plans may require future financial assistance of $329 million, compared to $9,312 million at September 30, 2020. The primary reason for the decrease in exposure was due to the net effect of removing thirteen plans that are no longer classified as reasonably possible ($6,552 million decrease) while only two new plans are classified as reasonably possible ($147 million increase). Another driver of the decrease was the decline in the reasonably possible small plan bulk reserve due to adjustments made to account for the new SFA Program. Additionally, adjustments made to valuation assumptions had a net effect that reduced the reasonably possible exposure ($148 million decrease).

The significant volatility in plan underfunding and sponsor credit quality over time makes long-term estimates of PBGC's expected claims uncertain. This volatility, along with the concentration of claims in a relatively small number of terminated plans, has characterized PBGC's experience to date and will likely continue. Factors such as economic conditions affecting interest rates, financial markets, and the rate of business failures will also influence PBGC's claims going forward.

PBGC's sources of information on plan underfunding are the most recent Section 4010 and PBGC premium filings, Form 5500, and other submissions to the Corporation. PBGC publishes Table S-49, "Various Measures of Underfunding in PBGC-Insured Plans," in its *Pension Insurance Data Book*. In that table the limitations of the estimates are appropriately described.

In FY 2021, 1,574 plans covering approximately 145,350 participants filed standard terminations. The number of filings is in line with the average number of terminations filed in the five years prior to that. Three large plans filed a standard termination.

In FY 2021, seven large plans completed standard terminations: Indiana University Health Defined Benefit Plan, Retirement Income Plan for Darden Restaurants, Inc., Flowers Foods, Inc. Retirement Plan No. 1, GPI US Consolidated Pension Plan, Perdue Retirement Account Plan & The Pension Plan for Union-Represented Associates, Trinity Industries, Inc. Consolidated Pension Plan, and ITT Consolidated Hourly Pension Plan.

As in previous years, the majority of the plans that filed standard terminations were small plans with 300 or fewer participants.

The number of plans ending in a standard termination in FY 2021, while slightly less than the number filed last year, is in line with the average of the last five years.

VII. SUMMARY OF OMB CIRCULAR A-136 DISCLOSURE OF MAJOR YEAR OVER YEAR CHANGES

Pursuant to OMB Circular A-136, Section II.2.4, *MD&A Analysis of Financial Statements and Stewardship Information Section*, the MD&A should summarize the entity's financial results, position, and condition and explain major changes (i.e., changes typically in excess of 10 percent). For significant entities (which are defined in Treasury Financial Manual (TFM) Vol. 1, Part 2, Section 4703) major changes are generally changes in excess of 10 percent and $1 billion.

PBGC is a significant entity and discloses the following major year over year changes (i.e., FY 2021 financial results compared to FY 2020):

1. Cash and Cash Equivalents increased $2,407 million at September 30, 2021 from September 30, 2020. This was due to $5,520 million from premium receipts, $3,114 million in interest and dividends received, $198 million in receipts from the missing participants program, $65 million from cash received from plans upon trusteeship, $35 million in receipts from sponsors/non-sponsors, and $2 million from other receipts. These receipts were offset by $6,301 million in benefit payments, $540 million in payments for administrative and other expenses, $243 million in accrued interest paid on securities purchased, and $230 million in financial assistance payments. When the cash provided through investing activities of $787 million is added to this net cash provided by operating activities, PBGC experienced a net cash increase of $2,407 million.

2. Securities lending collateral on loan increased $2,196 million at September 30, 2021 from September 30, 2020. These amounts are recorded as assets and are offset with a corresponding liability. The $2,196 million increase in securities lending collateral was attributable to an increase in value of lendable securities in the custodian collateral program. PBGC shifted assets from commingled index funds into accounts held at PBGC's custodian bank during the fiscal year ending September 30, 2021. In addition, the amount of cash collateral increased due to borrower preference to post cash collateral as opposed to non-cash collateral.

3. Fixed maturity securities increased by $10,869 million at September 30, 2021 from September 30, 2020, an 11% increase. This increase reflects PBGC's reallocation of investment asset to be consistent with PBGC's Investment Policy Statement (IPS) guidelines (transferred investment dollars from equity to fixed investments to stay within IPS target asset class allocation percentages). The increase was partially offset by negative fixed income investment returns during FY 2021 as Total Global Bonds [excluding Smaller Asset Managers Pilot Program (SAMPP)] was down 4.05%.

4. Public equity securities decreased $8,267 million at September 30, 2021 from September 30, 2020, a 34% decrease. This decrease reflects PBGC's reallocation of investment asset to be consistent with PBGC's IPS guidelines (transferred investment dollars from equity to fixed investments to stay within IPS target asset class allocation percentages). The decrease was partially offset by positive equity investment returns during FY 2021 as Total Global Public Stock was up 30.25%.

5. Present value of nonrecoverable future financial assistance – Insolvent Plans decreased $1,449 million at September 30, 2021 from September 30, 2020, a 48% decrease. This decrease is primarily due to 31 plans with an aggregated net claim of $1,206 million that were removed from inventory due to being eligible for receiving Special Financial Assistance (SFA). Additional factors contributing to the $1,449 million decrease in liability was $133 million decrease from expected assistance, $109 million decrease due to change in mortality table, and $46 million increase to due to change in interest rates.

6. Present value of nonrecoverable future financial assistance – Probable Insolvent Plans decreased $62,399 million at September 30, 2021 from September 30, 2020, a 98% decrease. This decrease is due to the reclassification of contingent liabilities under the Multiemployer Program in FY 2021, to classify as Remote all plans that are expected to be eligible for Special Financial Assistance (SFA), as authorized by the American Rescue Plan Act (ARP) of 2021.

7. Payable upon return of securities loaned increased $2,196 million at September 30, 2021 from September 30, 2020. These amounts are recorded as liabilities and are offset with a corresponding asset. The $2,196 million increase in payable upon securities loaned was attributable to an increase in value of lendable securities in the custodian collateral program. PBGC shifted assets from commingled index funds into accounts held at PBGC's custodian bank during the fiscal year ending September 30, 2021. In addition, the amount of cash collateral increased due to borrower preference to post cash collateral as opposed to non-cash collateral.

8. Premium income for both programs decreased $1,143 million at September 30, 2021 from September 30, 2020, a 19% decrease. This decrease is primarily due to: 1) improved conditions of the plans' underfunding (i.e., lower Unfunded Vested Benefits), resulting in lower variable rate premiums (VRP); 2) amended filings pursuant to PBGC Technical Update 20-2 resulting in lower variable rate premiums; 3) premium adjustments and rate changes for several Cooperative and Small-Employer Charity (CSEC) plans; offset by 4) increases in both the variable rate and flat rate premiums.

9. Losses (credits) from insolvent and probable plans-financial assistance increased $62,599 million in credits at September 30, 2021 from September 30, 2020, a 5,506% increase. This increase is due to the reclassification of contingent liabilities under the Multiemployer Program in FY 2021, to classify as Remote all plans that are expected to be eligible for Special Financial Assistance (SFA), as authorized by the American Rescue Plan Act (ARP).

10. Actuarial adjustments (credits) increased $4,097 million in credits at September 30, 2021 from September 30, 2020, a 29,264% increase. This is due to a $3,115 million increase in credits from changes in other assumptions (primarily due to assumptions other than interest and mortality (expenses, etc.), a $733 million increase in credits from the change in valuation method (Seriatim/Non-Seriatim), a $667 million increase in credits from changes in mortality assumptions, a $278 million increase in credits from changes in valuation software, and a $15 million increase in credits due to expense payments. These credits were offset by a $711 million increase in charges from effects of experience.

11. Investment income (loss) – Fixed decreased $14,624 million at September 30, 2021 from September 30, 2020, a 137% decrease. This decrease is due primarily to an increase in market interest rates during FY 2021, which contributed to the Total Global Bonds (excluding SAMPP) return of -4.05% in FY 2021, relative to FY 2020 which had a return of 11.51%.

12. Investment income (loss) – Equity increased $4,742 million at September 30, 2021 from September 30, 2020, a 227% increase. This increase is due primarily to the strong investment performance of equity securities in FY 2021, relative to FY 2020. Total Global Public Stock returned 30.25% in FY2021 and 7.41% in FY 2020.

13. Due to expected interest increased $1,915 million in charges at September 30, 2021 from September 30, 2020, a 71% increase. Expected interest refers to the interest that we expect to accrue during the current fiscal year based on PBGC's liability and interest factors at the end of the prior year with adjustments made for new plans and benefit payments made during the year. PBGC's FY 2021 expected interest rate of 0.62% at the beginning of the fiscal year applied to the prior year single-employer trusteed liability of $119,576 million and the multiemployer NRFFA insolvent liability of $2,994 million.

14. Due to change in interest factors increased $11,681 million in credits at September 30, 2021 from September 30, 2020, a 184% increase. Actuarial charges (credits) due to the change in interest factors are related to the changes in market interest rates. In FY 2021, the interest factor equivalent to the single effective rate changed from 1.53% to 1.97% on the average. In FY 2020, the interest factor equivalent to the single effective rate changed from 2.07% to 1.53% on the average.

15. Premium Receipts decreased by $1,366 million at September 30, 2021 from $6,886 million at September 30, 2020, a 20% decrease. This is due to a decrease in premium revenue caused by improved conditions of the plans' underfunding (i.e., lower Unfunded Vested Benefits), resulting in lower variable rate premiums received.

VIII. INVESTMENT ACTIVITIES

PBGC uses institutional investment management firms to invest its assets, subject to PBGC's oversight and consistent with the Investment Policy Statement (IPS approved by the PBGC Board of Directors. The Board approved an IPS in April 2019. Objectives listed in the IPS include utilizing Liability Driven Investment (LDI) techniques to minimize the Single-Employer Program funded status volatility and the risk of future deficits by increasing liability-hedging assets or reducing return-seeking assets according to the target asset allocations set out in the IPS. PBGC does not determine the specific investments to be made, but instead relies on PBGC's investment managers' discretion in executing investments appropriate for their contractually assigned investment mandates. PBGC does ensure that each investment manager adheres to PBGC's prescribed investment guidelines associated with each investment mandate and measures each investment manager's performance in comparison with agreed-upon investment benchmarks.

PBGC's investment assets consist of premium revenues, which are accounted for in the revolving fund, and assets from trusteed plans and their sponsors, which are accounted for in the trust fund. By law, PBGC is required to invest certain revolving funds (i.e., Funds 1 and 2) in obligations issued or guaranteed by the United States government. Portions of the other revolving fund (i.e., Fund 7) can be invested in other debt obligations, but under PBGC's current investment policy these revolving funds are invested solely in Treasury securities (PBGC has never established funds 3, 4, 5 or 6, which ERISA authorized for special discretionary purposes).

Total revolving fund investments, including cash and investment income, on September 30, 2021, were $54,129 million ($2,794 million for Fund 1, $2,977 million for Fund 2, and $48,358 million for Fund 7). Trust fund investments totaled $87,703 million as of September 30, 2021. At the end of FY 2021, PBGC's total investments consisting of cash and cash equivalents, investments, and investment income receivable as shown on the Statements of Financial Position were $141,832 million.

The investment policy objectives are to (1) satisfy existing liabilities and future claims when due, (2) maximize funded status within a prudent risk framework that is informed by PBGC's fixed obligations and asset composition of potential trusteed plans, and (3) utilize LDI techniques to minimize funded status volatility and the risk of future deficits.

PBGC's investment program had assets under performance management of approximately $138,506, million as of September 30, 2021. Of the approximate $3,300 million difference between the September 30, 2020, investment assets reported on the Statements of Financial Position and the assets within PBGC's investment performance portfolio, approximately $1,800 million represent net unsettled purchases, $800 million for funds available for the following month's benefit payments, $500 million are newly trusteed assets that have not yet been commingled, and $200 million represent custodial bank holding accounts. Asset allocation percentages refer to the investments within PBGC's investment program that are subject to the Corporation's investment policy, as described below.

Cash and fixed income securities totaled about 87 percent of total assets under performance management invested at the end of FY 2021, compared with approximately 80 percent for FY 2020. Equity securities (i.e., public equities) represented about 13 percent of total assets under performance management invested at the end of FY 2021, compared with about 20 percent at the end of FY 2020. The Total Fund Composite return (excluding private market assets and transition accounts) for FY 2021 was 2.49 percent compared with 10.55 percent in FY 2020. A small percentage of PBGC's investments are in the process of moving out of one of the manager portfolios (which was less than 0.05% for both FY 2021 and FY 2020) either for liquidation or for transfer to another manager. The return of the Total Fund Composite including these transition accounts was 2.36 percent in FY 2021, compared to 10.44 percent in FY 2020. Private market assets, comprised largely of private equity, private debt, and private real estate that are currently part of PBGC's investment portfolio, represented about 0.3 percent of total investments at the end of FY 2021, compared with 0.4 percent of total investments at the end of FY 2020.

Due to the cyclical nature of capital markets, PBGC also reports five-year returns for its investment program. For the five-year period ending September 30, 2021, PBGC's annualized return on total invested funds excluding private market assets and transition accounts was 6.80 percent compared with a total fund benchmark return of 6.27 percent — a benchmark based on the relative weights of the underlying managed accounts. Including the transition accounts, the five-year annualized return was 6.73 percent. Separately, the annualized ERISA/Pension Protection Act of 2006 (PPA) hypothetical portfolio benchmark return for the five-year period ending September 30, 2021, was 11.89 percent. (See section VIII Investment Activities - The Pension Protection Act of 2006 Reporting Requirement.)

The table below summarizes the performance of PBGC's investment program.

INVESTMENT PERFORMANCE

(Annual Rates of Return)

	September 30, 2021	September 30, 2020	Three and Five Years Ended September 30, 2021: 3 yrs	Three and Five Years Ended September 30, 2021: 5 yrs
Single-Employer Investment Performance				
Total Fund Composite	**2.49%**	10.55%	9.11%	6.80%
Total Fund Benchmark [1]	**1.86**	9.66	8.52	6.27
ERISA/PPA Portfolio Benchmark [2]	**17.01**	12.95	12.29	11.56
Total Global Public Stock	**30.25**	7.41	12.76	13.09
Total Global Public Stock Benchmark [3]	**29.38**	5.25	11.62	12.20
Total Global Bonds (excluding SAMPP)	**(4.05)**	11.51	8.68	4.80
Total Global Bonds Benchmark [4]	**(4.63)**	10.89	8.19	4.34
Smaller Asset Managers Pilot Program	**0.53**	7.67	6.06	3.56
Trust Funds	**8.81**	8.84	9.97	8.43
Revolving Funds [5]	**(6.42)**	13.53	8.16	3.90
Indices Applicable to Single-Employer Investments				
Russell 3000 Index	**31.88**	15.00	16.00	16.85
MSCI ACWI ex-U.S. IMI Index	**25.16**	3.51	8.34	9.13
Dow Jones U.S. Select Real Estate Securities Index	**40.56**	(22.33)	8.32	5.68
Bloomberg Treasury Index	**(3.30)**	8.04	4.89	2.23
Bloomberg Aggregate Bond Benchmark	**(0.90)**	6.98	5.36	2.94
Multiemployer Investment Performance				
Multiemployer Revolving Fund [6]	**(1.71)**	7.89	N/A	N/A
Index Applicable to Multiemployer Investments				
Bloomberg US Aggregate Treasury 3-7 Years [6]	**(1.74)**	7.14	4.66	2.22

Note - Composites and indices above exclude Transition Accounts and Private Market Assets.

[1] The Total Fund Benchmark is a dynamic weighted benchmark based upon the weights of the Total Global Public Stock Benchmark, the Total Global Bonds Benchmark and the Total Money Market Securities Benchmark. This benchmark is utilized to compare against the Total Fund Composite returns shown above.

[2] The ERISA/PPA Portfolio Benchmark is based upon a hypothetical portfolio with a 60 percent allocation to the Standard & Poor's 500 equity index and a 40 percent allocation to the Bloomberg Aggregate Bond index. See section VIII Investment Activities (The Pension Protection Act of 2006 Reporting Requirement).

[3] The Total Global Public Stock Benchmark is a dynamic weighted benchmark based upon the weights of the U.S. Public Stock composite and the International Public Stock composite and the returns of their respective benchmarks.

[4] The Total Global Bonds Benchmark is a dynamic weighted benchmark based upon the weights of PBGC's fixed income managers, excluding SAMPP, and the returns of their respective benchmarks.

[5] As of October 2019, Total Revolving Fund reflects the Single-Employer Plan's Revolving Fund investment returns and assets. Periods which include dates prior to October 2019 reflect the Single-Employer Plan's and Multiemployer Plan's combined investment returns and assets.

[6] The performance inception date for the Multiemployer Revolving Fund is October 2019. As such, three-year and five-year performance is not yet available. This fund is currently benchmarked against the Bloomberg US Aggregate Treasury 3-7 Years.

FIXED INCOME

As described below, PBGC fixed income investment managers use a number of different benchmarks. Where applicable, the relative percentage that each index or benchmark represents for its respective asset class is provided. The percentage invested under each benchmark(s), in aggregate, for each asset class relative to the overall PBGC investment program as of September 30, 2021, is also parenthetically provided in the text below.

The Total Global Bonds Benchmark is a dynamic weighted benchmark based on the weights of the underlying fixed income managers and the returns of their respective benchmarks. As of September 30, 2021, the weighted benchmark encompasses the Completion Treasuries Benchmark (49.0 percent), the Credit Completion Benchmark (7.2 percent), the Total Long Duration Bonds Benchmark (24.3 percent), the Bloomberg Aggregate Bond index (17.3 percent), and the Total Emerging Market Bonds Benchmark (2.2 percent). The overall Total Global Bonds composite equals 82.3 percent of the total PBGC portfolio.

Completion Treasuries: This category includes investments in U.S. Treasury securities managed by outside professional asset managers and it applies to 40.3 percent of PBGC's investment program assets as of September 30, 2021. The assets of this category are split among the Revolving Fund (89.9 percent) and Trust Fund (10.1 percent). The objective of this category – in conjunction with the assets of Credit Completion, Long Duration, Core, Smaller Asset Manager Pilot Program, and Money Market Securities – is to hedge a portion of the single-employer liabilities. While PBGC can redeem composite assets upon request, those composite assets that are part of the Revolving Fund can only be redeemed to meet pension benefit obligations and administrative expenses.

Credit Completion: This category includes investments in United States Dollar (USD) denominated fixed-income securities managed by an outside professional asset manager and it applies to 6.0 percent of PBGC's investment program assets as of September 30, 2021. The Credit Completion Benchmark is a custom blend of multiple Bloomberg indices, whose underlying components include credit, corporate, and US Treasury securities. The credit and corporate components include publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity (intermediate and long duration), liquidity, and quality (investment grade) requirements. PBGC is able to redeem composite assets upon request.

Long Duration: This category includes investments mainly in USD-denominated fixed income securities managed by outside professional asset managers and applies to 20.0 percent of PBGC's investment program assets as of September 30, 2021. The Total Long Duration Bonds Benchmark is a dynamic weighted benchmark based on the weights of the underlying Trust Fund long-duration fixed income managers and the returns of their respective benchmarks. As of September 30, 2021, the Total Long Duration Bonds Benchmark encompasses the Bloomberg Long U.S. Government/Credit index (28.7 percent) and Custom Benchmarks (71.3 percent). The Bloomberg Long U.S. Government/Credit index includes both government and credit securities. The government component includes public obligations of the U.S. Treasury that have remaining maturities of more than one year and publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government. The credit component of the index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality (investment grade) requirements. The custom benchmarks include similar securities and are weighted combinations of sub-sector benchmarks. PBGC is able to redeem composite assets upon request.

Core: This category includes investments primarily in USD-denominated fixed income securities managed by outside professional asset managers. It applies to 14.2 percent of PBGC's investment program assets as of September 30, 2021. The Core Fixed Income Benchmark is the Bloomberg Aggregate Bond index. The Bloomberg Aggregate Bond index includes securities that are registered with the Securities and Exchange Commission (SEC) and are taxable and dollar-denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, asset-backed securities, and foreign securities. PBGC is able to redeem composite assets upon request.

Emerging Market Bonds: This category includes fixed income securities denominated in either U.S. dollars or foreign currencies and managed by outside professional asset managers. It makes up 1.8 percent of PBGC's investment program assets as of September 30, 2021. The Total Emerging Market Bonds Benchmark is a dynamic weighted benchmark based on the weights of all emerging market bond managers and the returns of their respective benchmarks. As of September 30, 2021, the weighted benchmark encompasses the JP Morgan EMBIG Diversified index (26.6 percent), JP Morgan GBI EM Global Diversified (24.6 percent) and Custom Benchmarks (48.8 percent). The custom benchmarks are weighted combinations of the JP Morgan EMBIG Diversified and the JP Morgan GBI EM Global Diversified indices. The JP Morgan EMBIG Diversified index includes USD-denominated debt instruments issued by Emerging Market countries. The index also includes USD-denominated Brady bonds, Eurobonds, and traded loans issued by sovereign and quasi-sovereign entities. The JP Morgan GBI EM Global Diversified index includes local currency or non-U.S. dollar-denominated debt instruments issued by Emerging Market countries. PBGC is able to redeem composite assets upon request.

MONEY MARKET SECURITIES

This category includes investments in money market instruments managed by an outside professional asset manager who invests in a diversified portfolio of short-term obligations and deposits, including, but not limited to, Treasury and agency obligations, certificates of deposits, commercial paper, and repurchase agreements (Trust Fund Cash). In addition, the category includes overnight investments in Treasury securities held at Treasury (Revolving Fund Cash). The Total Money Market Securities Benchmark is a dynamic weighted benchmark based on the weights of the Trust Fund Cash and the Revolving Fund Cash and the returns of their respective benchmarks. As of September 30, 2021, the weighted benchmark encompasses the 3-month Treasury bill (47.0 percent) and the 4-week Treasury bill (53.0 percent). The cash composite represents 3.0 percent of PBGC's investment program as of September 30, 2021. PBGC is able to redeem money market securities upon request.

GLOBAL PUBLIC STOCK

This category includes investments in the U.S. Public Stock composite and the International Public Stock composite and applies to 12.9 percent of PBGC's investment program assets as of September 30, 2021. The Total Global Public Stock Benchmark is a dynamic weighted benchmark based upon the weights of the U.S. Public Stock composite and the International Public Stock composite and the returns of their respective benchmarks. As of September 30, 2021, the Total Global Public Stock Benchmark comprises the Total U.S. Public Stock Benchmark (55.1 percent) and the Total International Public Stock Benchmark (44.9 percent). PBGC is able to redeem composite assets upon request.

U.S. Public Stock: This category includes investments in U.S. publicly traded equity securities and U.S. publicly traded real estate investment trusts (REITs) managed by outside professional asset managers. It applies to 7.1 percent of PBGC's investment program assets as of September 30, 2021. The Total U.S. Public Stock Benchmark is a dynamic weighted benchmark based upon the weights of the U.S. Public Stock managers and the returns of their respective benchmarks. As of September 30, 2021, the weighted benchmark comprises the Russell 3000 index (79.2 percent), the Dow Jones U.S. Select Real Estate Securities index (3.2 percent), and the FTSE NAREIT EQ REITs index (17.6 percent). PBGC is able to redeem composite assets upon request.

International Public Stock: This category includes investments in International Equity securities managed by outside professional asset managers. It applies to 5.8 percent of PBGC's investment program assets as of September 30, 2021. The Total International Public Stock Benchmark is a dynamic weighted benchmark based upon the weights of the international public stock managers and the returns of their respective benchmarks. As of September 30, 2021, the weighted benchmark encompasses the MSCI EAFE index (32.0 percent), the MSCI EAFE Value index (9.7 percent), the MSCI EAFE IMI index (16.0 percent), the MSCI EAFE Small Cap index (7.3 percent), the MSCI Emerging Markets index (27.8 percent), and the MSCI Canada IMI index (7.2 percent). The MSCI EAFE index (Europe, Australasia and Far East) is designed to measure the developed markets large and mid-capitalization equity performance, excluding the U.S. and Canada. The MSCI EAFE Value index is designed to measure the performance of developed markets large and mid-capitalization equities exhibiting value style characteristics, excluding the U.S. and Canada. The MSCI EAFE IMI index is designed to measure the developed markets large, mid, and small capitalization equity performance, excluding the U.S. and Canada. The MSCI EAFE Small Cap index is designed to measure the developed markets small capitalization equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets index is designed to measure equity market performance of emerging markets. The MSCI Canada IMI index is designed to measure the large, mid, and small capitalization equity market performance of Canada. PBGC is able to redeem composite assets upon request.

SMALLER ASSET MANAGERS PILOT PROGRAM

PBGC implemented the Smaller Asset Managers Pilot Program, which created new opportunities for smaller asset managers who wish to compete for the agency's business. Five investment management firms were selected to participate in the pilot program and were funded in FY 2016. This category includes investments primarily in USD-denominated fixed income securities managed by outside professional asset managers. It applies to 1.4 percent of PBGC's investment program assets as of September 30, 2021. The Smaller Asset Managers Pilot Program Benchmark is the Bloomberg Aggregate Bond index. The Bloomberg Aggregate Bond index includes securities that are SEC-registered, taxable, and dollar-denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, asset-backed securities, and foreign securities. PBGC is able to redeem composite assets upon request.

INHERITED PRIVATE MARKETS

This category includes private equity, private debt, and private real estate funds inherited from trusteed plans. These private market investments invest mainly in buyouts, venture capital, distressed debt, and commercial real estate. It applies to 0.3 percent of PBGC's investment program assets at year-end. Private investments are difficult to benchmark due to their illiquid nature. Typical benchmarks utilized for private equity include universe comparisons, where funds that have the same original investment date are compared against the performance of a similar fund. For direct private real estate investments, many institutions use the National Council of Real Estate Investment Funds (NCREIF) index, which includes U.S. commercial real estate properties acquired in the private market for investment purposes. For investments in private equity real estate, peer universe comparisons based on similar funds with the same original investment date are often utilized. Private market investments typically do not have redemption provisions; instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the funds. It is estimated that the majority of the underlying assets of the funds will be liquidated over the next five years. The fair values of the investments in this category have been estimated using the net asset value of PBGC's ownership interest in partners' capital.

THE PENSION PROTECTION ACT OF 2006 REPORTING REQUIREMENT

The Pension Protection Act of 2006 requires PBGC to estimate the effect of an asset allocation based on a combination of two commonly used market benchmarks. The hypothetical portfolio presented below, with a 60 percent allocation to the Standard & Poor's 500 equity index and a 40 percent allocation to the Bloomberg Aggregate Bond index, would have increased the assets of the Corporation by about $24.4 billion (17.01 percent return compared with PBGC's Total Fund Composite return including transition accounts of 2.36 percent) for the one-year period ending September 30, 2021, and increased the assets of the Corporation by about $36.8 billion (11.56 percent annualized return compared with PBGC's Total Fund Composite annualized return including transition accounts of 6.73 percent) over the five-year period ending September 30, 2021. Per the IPS approved by PBGC's Board of Directors, PBGC invests its portfolio with a Liability-Driven Investment strategy and, therefore, the comparison to a hypothetical pension plan with an allocation of 60 percent to equities and 40 percent to fixed income is not a representative comparison. For further analysis of PBGC's Investment Activities please refer to the MD&A of Results of Operations and Financial Position. These results are summarized in the following table.

INVESTMENT PORTFOLIO ANALYSIS

60/40 Hypothetical Portfolio Analysis Versus PBGC Fiscal Year Actual Return (60/40 comprises S&P 500 Index/Bloomberg Aggregate Bond Index)						
	1-Year Period Ending			5-Year Period Ending		
Fiscal Year	60/40 Incremental $ Billions	60/40 % Return	PBGC Actual Return[1]	60/40 Incremental $ Billions	60/40 % Return	PBGC Actual Return[1]
9/30/2020	$3.0	12.95%	10.44%	$11.4	10.47%	8.41%
9/30/2021	$24.4	17.01%	2.36%	$36.8	11.56%	6.73%

[1] PBGC actual return is the PBGC's Total Fund Composite return including transition accounts.

ANALYSIS OF SYSTEMS, CONTROLS AND LEGAL COMPLIANCE

PBGC maintains an Internal Controls Program designed to support compliance with the requirements of the Federal Managers' Financial Integrity Act (FMFIA) of 1982, the Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book), the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, *and its appendices,* as applicable, and other relevant laws and regulations. PBGC has continued implementing the requirements specified in the GAO Green Book and OMB Circular A-123 and, as noted below, performs a number of corporate-wide activities that serve to support the FMFIA Statement of Assurance. For FY 2021, PBGC provided an unmodified FMFIA Statement of Assurance. Please refer to annual statement of assurance, as described below.

INTERNAL CONTROL COMMITTEE

The PBGC Internal Control Committee (ICC) provides corporate oversight and accountability regarding internal controls over PBGC's operations, reporting, and compliance with laws and regulations consistent with the GAO Green Book, OMB Circular A-123 and FMFIA requirements. Chaired by the agency's Chief Financial Officer, the ICC includes senior-level executives and management representatives from each executive office within the agency and a representative from the OIG, who is a non-voting member. The ICC oversees the process by which internal controls are documented, implemented and assessed within the agency; reviews and approves significant revisions to key business level and entity-wide controls; monitors the status of internal control deficiencies and related corrective actions; and considers other matters, including controls designed to prevent or detect fraud. The ICC also interacts with the agency's Risk Management Council (RMC) regarding its oversight of the risk assessment processes.

DOCUMENTATION AND EVALUATION OF INTERNAL CONTROLS

As part of the agency's Internal Controls Program, key business level and entity-wide controls are evaluated, on an annual basis, to assess the adequacy of the control design and the extent to which they are operating effectively in accordance with GAO Green Book standards. The evaluation is performed using a risk-based approach as required by OMB Circular A-123. Reports regarding results of the evaluation are provided to stakeholders within the agency, and corrective actions are recommended, where appropriate. The following provides additional information regarding management's documentation and evaluation of internal controls and areas of focus include:

Standards for Internal Control in the Federal Government (Green Book): These standards, published by the GAO, provide criteria to be used by federal agencies for designing, implementing and operating an effective internal control system. In FY 2021, under ICC direction, agency management continued its comprehensive evaluation of the PBGC's internal control system with regard to the design, implementation and operating effectiveness of the five components and 17 principles of internal controls, as outlined in the Green Book. As part of this evaluation, agency management performed its annual assessment of internal controls using the Green Book, as required by OMB Circular A-123. Based on management's evaluation and the results of the annual assessment, it was determined that PBGC continues to have an effective internal controls system and remains in compliance with the Green Book.

Business Level Controls: Business level controls are controls that are built directly into operational processes to support an organization in achieving its objectives and addressing related risks. The agency has developed, implemented and maintained business level controls within its 12 major business processes cycles, which include: *Benefit Payments, Benefit Determinations, Budget and Finance, Financial Reporting, Human Resources and Payroll, Investments, Losses on Completed and Probable Terminations, Multiemployer Financial Assistance, Procurement Accounts Payable and Other Expenses, Premiums, Single Employer Contingent Liability,* and *Present Value of Future Benefits*. The ICC has designated certain business level controls as "key" with regard to the agency's operations, reporting and compliance requirements, and employees designated as "key control owners" and their supervisors required to provide quarterly representations certifying the performance of those controls and to maintain evidence documenting control execution. These controls are also documented in business cycle memoranda which is updated on an annual basis by control owners and other stakeholders.

Entity-Wide Controls: Entity-wide controls are controls that have a pervasive effect on an entity's internal control system. These controls are overarching and support the overall effectiveness of PBGC's internal control environment. The ICC has designated certain entity-wide controls as key to meeting the agency's control objectives over operations, reporting and compliance with laws and regulations within the following six categories: control environment, risk assessment, control activities, information and communication, monitoring, and anti-fraud. Many of these controls also address the five components and 17 underlying control principles of internal controls, as required by the GAO Green Book, and the related categories of objectives.

Fraud Prevention: PBGC created a fraud risk profile and response plan as part of a continuing effort to fully implement GAO's Framework for Managing Fraud Risks in Federal Programs. This work is focused on identifying and responding to fraud risks and developing control activities to prevent and detect fraud. The use of this framework is required by OMB Circular A-123 and the Payment Integrity Information Act of 2019. As part of the framework, potential fraud areas are identified, and key controls are evaluated and implemented as proactive measures to prevent fraud. Monitoring activities include supervisory approvals, management reports, and exception reporting. PBGC management performs due diligence in areas of suspected or alleged fraud.

Further, as required by Executive Order 13587, PBGC maintains an insider threat detection and prevention program to prevent, detect, deter, and remediate internal threats to the agency's assets. As part of the expansion of this program, an Insider Threat, Privacy and Security Reportal was developed which allows all PBGC staff and contractors to report an insider threat, privacy, or security incident in an effective and efficient manner. Additionally, the agency implemented technology to block the intentional or unintentional release of Personally Identifiable Information (PII) and to detect and alert on anomalous user behavior on PBGC's network. PBGC also instituted other controls relating to fraud prevention such as the maintenance of hotlines for PBGC employees, contractors and the public to confidentially report suspected wrongdoing or allegations of possible fraud, waste or abuse occurring in a PBGC program or operation. In addition, the agency regularly issues communications to employees and contractors and provides training to promote fraud awareness.

Information Technology Controls: In order to protect the confidentiality, integrity, and availability of the PBGC information systems and the information processed and stored by those systems, PBGC implements the controls included in the National Institute of Standards and Technology's (NIST) Special Publication No.

800-53, Security and Privacy Controls for Federal Information Systems and Organizations. These controls are documented as part of System Security Plans which are maintained within the Cyber Security Assessment and Management (CSAM) tool managed by the Office of Information Technology's (OIT) Enterprise Cybersecurity Division.

Digital Accountability and Transparency Act (DATA Act): The DATA Act of 2014 was designed to increase the standardization and transparency of federal spending. It requires the disclosure of direct federal agency expenditures and linking federal contract, loan and grant spending information of federal agencies to enable taxpayers and policymakers to track federal spending more effectively. The law required the establishment of government-wide data standards established by the OMB and the Department of the Treasury to provide consistent, reliable, researchable, and usable spending data on USASpending.gov. The agency continues to maintain, perform and assess the design and operating effectiveness of key controls over data quality to support the achievement of DATA Act reporting objectives. Further, as required by Appendix A to OMB Circular A-123, *Management of Reporting and Data Integrity Risk (Memorandum M-18-16),* the agency developed and maintained a Data Quality Plan that considers incremental risks and internal controls over the input and validation of data submitted to USAspending.gov in accordance with OMB requirements. Consideration of the plan was included in the agency's annual assurance statement for FY 2021, as described below.

ASSESSMENT OF IMPROPER PAYMENT RISK

Based on the requirements of Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*, and related improper payment legislation, PBGC performed a risk assessment in FY 2021 over the agency's Benefit Payments and Premium Refunds programs. Please refer to the Payment Integrity Information Act Reporting section of this report for additional information.

AUDIT COORDINATION AND FOLLOW-UP PROGRAM

In implementing OMB Circular A-50, PBGC has established its Audit Coordination and Follow-up Directive. It is PBGC's policy to fully cooperate with audits of PBGC operations and ensure the efficient tracking, resolution, and implementation of agreed-upon audit recommendations contained in audit reports issued by the OIG and GAO. PBGC has dedicated staff to coordinate with OIG and GAO audit representatives in providing access to records and information needed to complete audits and ensure that management responses to draft reports are provided in a timely manner. To facilitate timely completion and closure of audit recommendations, staff regularly monitors implementation efforts, including regular distribution of audit follow-up status reports to executive management and formal submission of documentation evidencing completion of required corrective actions. Status reports are used to document planned corrective actions and estimated completion dates; they also indicate those recommendations for which work has been completed and reported as such to the OIG and to GAO. In addition, PBGC prepares a management report to the Semiannual Report to Congress (SARC) issued by the OIG, which addresses the status of agreed-upon OIG recommendations and provides other information required under the Inspector General Act of 1978, as amended.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT STATEMENT OF ASSURANCE

The PBGC's management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act. The PBGC conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control.

In our prior statement of assurance, we noted that we were made aware of fraudulent activities in procurement practices that took place in 2015 and 2016. Based on the results of PBGC's Office of Inspector General procurement integrity audit, requested by management and completed in December 2020, PBGC management enhanced internal controls, including strengthening the legal review process.

The American Rescue Plan Act of 2021 enacted on March 11, 2021, allows certain financially troubled multiemployer plans to apply for "Special Financial Assistance" (SFA). Upon approval of an application, the PBGC will make a single, lump-sum payment to eligible multiemployer plans. PBGC has developed initial internal controls to meet the specific requirements and mitigate risks with the SFA program. Management will continue to review the related internal control processes and consider additional controls as necessary. Additionally, PBGC is developing processes and procedures for auditing multiemployer plans that have received SFA.

Based on the results of the assessment, the PBGC can provide reasonable assurance that internal control over operations, reporting, and compliance was operating effectively as of September 30, 2021.

MANAGEMENT REPRESENTATION

PBGC's management is responsible for the accompanying Statements of Financial Position of the Single Employer and Multiemployer Funds as of September 30, 2021, and September 30, 2020, the related Statements of Operations, and the Statements of Cash Flows for the years then ended, and the related note disclosures to these statements. PBGC's management is also responsible for establishing and maintaining systems of internal accounting and administrative controls that provide reasonable assurance that the control objectives (i.e., preparing reliable financial statements, safeguarding assets, and complying with laws and regulations) are achieved.

PBGC management believes the financial statements of the Single-Employer and Multiemployer Program Funds present fairly the financial position of PBGC as of September 30, 2021, and September 30, 2020, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and actuarial standards applied on a consistent basis. As noted in the FMFIA Statement of Assurance above, PBGC provides reasonable assurance that its internal controls are effective.

Estimates of probable terminations, nonrecoverable future financial assistance, amounts due from employers, and the present value of future benefits have a material effect on the financial results being reported. Litigation has been disclosed and reported in accordance with U.S. GAAP.

As a result of the aforementioned, PBGC has based these statements, in part, upon informed judgments and estimates for those transactions not yet complete or for which the ultimate effects cannot be precisely measured, or for those that are subject to the effects of any pending litigation.

The Inspector General engaged Ernst & Young LLP to conduct the audit of the Corporation's fiscal years 2021 and 2020 financial statements, and Ernst & Young LLP issued an unmodified opinion on those financial statements.

Gordon A. Hartogensis

Gordon Hartogensis
Director

Patricia Kelly

Patricia Kelly
Chief Financial Officer

November 15, 2021

PENSION BENEFIT GUARANTY CORPORATION

STATEMENTS OF FINANCIAL POSITION

	Single-Employer Program		Multiemployer Program		Memorandum Total	
	September 30,		September 30,		September 30,	
(Dollars in Millions)	**2021**	2020	**2021**	2020	**2021**	2020
ASSETS						
Cash and cash equivalents	**$8,598**	$6,265	**$279**	$205	**$8,877**	$6,470
Restricted Cash	**-**	-	**3**	-	**3**	-
Total cash, cash equivalents, and restricted cash	**$8,598**	$ 6,265	**$282**	$ 205	**$8,880**	$ 6,470
Securities lending collateral (Notes 3 and 5)	**6,145**	3,949	**-**	-	**6,145**	3,949
Investments, at market (Notes 3 and 5):						
Fixed maturity securities	**111,205**	100,290	**2,688**	2,734	**113,893**	103,024
Equity securities	**15,741**	24,008	**-**	-	**15,741**	24,008
Private equity	**320**	276	**-**	-	**320**	276
Real estate and real estate investment trusts	**2,153**	2,784	**-**	-	**2,153**	2,784
Other	**200**	7	**-**	-	**200**	7
Total investments	**129,619**	127,365	**2,688**	2,734	**132,307**	130,099
Receivables, net:						
Sponsors of terminated plans	**44**	26	**-**	-	**44**	26
Premiums (Note 11)	**2,988**	3,606	**198**	192	**3,186**	3,798
Sale of securities	**2,009**	1,500	**-**	-	**2,009**	1,500
Derivative contracts (Note 4)	**609**	122	**-**	-	**609**	122
Investment income	**637**	614	**11**	12	**648**	626
Other	**7**	6	**332**	-	**339**	6
Total receivables	**6,294**	5,874	**541**	204	**6,835**	6,078
Capitalized assets, net (Note 16)	**36**	19	**1**	1	**37**	20
Total assets	**$150,692**	$143,472	**$3,512**	$3,144	**$154,204**	$146,616

The accompanying notes are an integral part of these financial statements.

The Single-Employer Program and Multiemployer Program are separate by law.

The "Memorandum Total" data columns presented above are solely an entity-wide informational view of the PBGC's two independent insurance programs.

PENSION BENEFIT GUARANTY CORPORATION

STATEMENTS OF FINANCIAL POSITION

(Dollars in Millions)	Single-Employer Program September 30, **2021**	2020	Multiemployer Program September 30, **2021**	2020	Memorandum Total September 30, **2021**	2020
LIABILITIES						
Present value of future benefits, net (Note 6):						
Trusteed plans	**$108,645**	$119,576	**-**	-	**$108,645**	$119,576
Plans pending termination and trusteeship	**13**	635	**-**	-	**13**	635
Settlements and judgments	**17**	17	**-**	-	**17**	17
Claims for probable terminations	**254**	202	**-**	-	**254**	202
Total present value of future benefits, net	**108,929**	120,430	**-**	-	**108,929**	120,430
Present value of nonrecoverable future financial assistance (Note 7)						
Insolvent plans	**-**	-	**1,545**	2,994	**1,545**	2,994
Probable insolvent plans	**-**	-	**1,472**	63,871	**1,472**	63,871
Total present value of nonrecoverable future financial assistance	**-**	-	**3,017**	66,865	**3,017**	66,865
Special financial assistance	**-**	-	**-**	-	**-**	-
Payables, net:						
Derivative contracts (Note 4)	**558**	73	**-**	-	**558**	73
Due for purchases of securities	**3,794**	3,294	**-**	-	**3,794**	3,294
Payable upon return of securities loaned	**6,145**	3,949	**-**	-	**6,145**	3,949
Unearned premiums	**239**	181	**12**	5	**251**	186
Accounts payable and accrued expenses (Note 8)	**90**	67	**2**	23	**92**	90
Total payables	**10,826**	7,564	**14**	28	**10,840**	7,592
Total liabilities	**119,755**	127,994	**3,031**	66,893	**122,786**	194,887
Contributed transfer appropriation	**-**	-	**3**	-	**3**	-
Cumulative results of operations	**30,937**	15,478	**478**	(63,749)	**31,415**	(48,271)
Net position	**30,937**	15,478	**481**	(63,749)	**31,418**	(48,271)
Total liabilities and net position	**$150,692**	$143,472	**$3,512**	$3,144	**$154,204**	$146,616

The accompanying notes are an integral part of these financial statements.
The Single-Employer Program and Multiemployer Program are separate by law.
The "Memorandum Total" data columns presented above are solely an entity-wide informational view of the PBGC's two independent insurance programs.

PENSION BENEFIT GUARANTY CORPORATION
STATEMENTS OF OPERATIONS

	Single-Employer Program		Multiemployer Program		Memorandum Total	
	For the Years Ended September 30,		For the Years Ended September 30,		For the Years Ended September 30,	
(Dollars in Millions)	**2021**	2020	**2021**	2020	**2021**	2020
UNDERWRITING:						
Income:						
Premium, net (Note 11)	**$4,511**	$5,663	**$331**	$322	**$4,842**	$5,985
Contributed transfer appropriation income	**-**	-	**1**	-	**1**	-
Other	**20**	28	**37**	-	**57**	28
Total	**4,531**	$5,691	**369**	$322	**4,900**	6,013
Expenses:						
Administrative	**419**	387	**8**	40	**427**	427
Administrative special financial assistance	**-**	-	**1**	-	**1**	-
Other	**9**	16	**-**	-	**9**	16
Total	**428**	403	**9**	40	**437**	443
Other underwriting activity:						
Losses (credits) from completed and probable terminations (Note 12)	**1,022**	1,926	**-**	-	**1,022**	1,926
Losses (credits) from insolvent and probable plans-financial assistance (Note 7)	**-**	-	**(63,736)**	(1,137)	**(63,736)**	(1,137)
Actuarial adjustments (credits) (Note 6)	**(3,940)**	48	**(143)**	(34)	**(4,083)**	14
Special Financial Assistance Expense	**-**	-	**-**	-	**-**	-
Total	**(2,918)**	1,974	**(63,879)**	(1,171)	**(66,797)**	803
Underwriting gain (loss)	**7,021**	3,314	**64,239**	1,453	**71,260**	4,767
FINANCIAL:						
Investment income (loss) (Note 13):						
Fixed	**(3,890)**	10,507	**(47)**	180	**(3,937)**	10,687
Equity	**6,829**	2,087	**-**	-	**6,829**	2,087
Private equity	**148**	(17)	**-**	-	**148**	(17)
Real estate	**873**	(118)	**-**	-	**873**	(118)
Other	**98**	11	**-**	-	**98**	11
Total	**4,058**	12,470	**(47)**	180	**4,011**	12,650
Expenses:						
Investment	**140**	135	**0**	2	**140**	137
Actuarial charges (Note 6):						
Due to expected interest	**762**	2,620	**11**	68	**773**	2,688
Due to change in interest factors	**(5,282)**	6,207	**(46)**	146	**(5,328)**	6,353
Total	**(4,380)**	8,962	**(35)**	216	**(4,415)**	9,178
Financial gain (loss)	**8,438**	3,508	**(12)**	(36)	**8,426**	3,472
Net income (loss)	**15,459**	6,822	**64,227**	1,417	**79,686**	8,239
Cumulative results of operations, beginning of year	**15,478**	8,656	**(63,749)**	(65,166)	**(48,271)**	(56,510)
Cumulative results of operations, end of year	**$30,937**	$15,478	**$478**	($63,749)	**$31,415**	($48,271)

The accompanying notes are an integral part of these financial statements.
The Single-Employer Program and Multiemployer Program are separate by law.
The "Memorandum Total" data columns presented above are solely an entity-wide informational view of the PBGC's two independent insurance programs.

PENSION BENEFIT GUARANTY CORPORATION

STATEMENTS OF CASH FLOWS

(Dollars in millions)	Single-Employer Program For the Years Ended September 30, 2021	2020	Multiemployer Program For the Years Ended September 30, 2021	2020	Memorandum Total For the Years Ended September 30, 2021	2020
OPERATING ACTIVITIES:						
Premium receipts	**$ 5,186**	$ 6,577	**$ 334**	$ 309	**$ 5,520**	$ 6,886
Interest and dividends received	**3,106**	3,411	**8**	92	**3,114**	3,503
Cash received from plans upon trusteeship	**65**	(23)	**-**	-	**65**	(23)
Receipts from sponsors/non-sponsors	**35**	131	**-**	-	**35**	131
Receipts from the missing participant program	**198**	81	**-**	-	**198**	81
Other receipts	**2**	1	**-**	-	**2**	1
Benefit payments – trusteed plans	**(6,301)**	(6,069)	**-**	-	**(6,301)**	(6,069)
Financial assistance payments	**-**	-	**(230)**	(173)	**(230)**	(173)
Settlements and judgments	**-**	-	**-**	-	**-**	-
Payments for administrative and other expenses	**(532)**	(527)	**(8)**	(29)	**(540)**	(556)
Accrued interest paid on securities purchased	**(242)**	(421)	**(1)**	(16)	**(243)**	(437)
Net cash provided (used) by operating activities (Note 15)	**1,517**	3,161	**103**	183	**1,620**	3,344
INVESTING ACTIVITIES:						
Proceeds from sales of investments	**196,876**	174,976	**637**	5,760	**197,513**	180,736
Payments for purchases of investments	**(196,060)**	(177,366)	**(666)**	(5,846)	**(196,726)**	(183,212)
Net change in investment of securities lending collateral	**2,197**	(770)	**-**	-	**2,197**	(770)
Net change in securities lending payable	**(2,197)**	770	**-**	-	**(2,197)**	770
Net cash provided (used) by investing activities	**816**	(2,390)	**(29)**	(86)	**787**	(2,476)
Net increase (decrease) in cash and cash equivalents	**2,333**	771	**74**	97	**2,407**	868
Cash and cash equivalents, beginning of year	**6,265**	5,494	**205**	108	**6,470**	5,602
Cash and cash equivalents, end of year	**$ 8,598**	$6,265	**$ 279**	$ 205	**$ 8,877**	$ 6,470
Special financial assistance (restricted cash)			**3**	-	**3**	-
Cash, cash equivalents, and restricted cash, end of year	**$ 8,598**	$ 6,265	**$ 282**	$ 205	**$ 8,880**	$ 6,470

The above cash flows are for trusteed plans and do not include non-trusteed plans.
The accompanying notes are an integral part of these financial statements.

The Single-Employer Program and Multiemployer Program are separate by law.

The "Memorandum Total" data columns presented above are solely an entity-wide informational view of the PBGC's two independent insurance programs.

Special Financial Assistance that will be provided under the American Rescue Plan Act of 2021, which represents the funds appropriated and transferred from the U.S. Treasury's General Fund.

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 1: ORGANIZATION AND PURPOSE

The Pension Benefit Guaranty Corporation (PBGC or the Corporation) is a federal corporation created by Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) and is subject to the provisions of the Government Corporation Control Act. Its activities are defined by ERISA, as that Act has been amended over the years. The Corporation insures the pension benefits, within statutory limits, of participants in covered single-employer and multiemployer defined benefit pension plans.

ERISA requires that PBGC programs be self-financing. ERISA provides that the U.S. Government is not liable for any obligation or liability incurred by PBGC.

On March 11, 2021, the President signed into law the American Rescue Plan Act (ARP), 2021. ARP amended ERISA and added Section 4262, Special Financial Assistance (SFA) by the Corporation, which provides funding from the U.S. Treasury's General Fund for lump-sum payments to eligible multiemployer plans covering their full plan benefits through 2051 (see MD&A discussion on page 34). An ERISA eighth fund has been established for SFA, which is the first time PBGC has an appropriated fund. PBGC received a new appropriation to cover SFA administration costs, and going forward, PBGC will receive annual pass-through transfers to cover both SFA administration costs and SFA. This is mandatory funding with an indefinite appropriation for a period of availability of 10 years.

For financial statement purposes, PBGC divides its business activity into two broad areas — "Underwriting Activity" and "Financial Activity" — covering both Single-Employer and Multiemployer Program segments. PBGC's underwriting activity provides financial guaranty insurance in return for insurance premiums (whether actually paid or not). Actual and expected probable losses that result from the termination of underfunded pension plans are included in this category, as are actuarial adjustments based on changes in actuarial assumptions, such as mortality. PBGC's financial activity consists of the performance of PBGC's assets and liabilities. PBGC's assets consist of premiums collected from defined benefit plan sponsors, assets from distress or PBGC-initiated terminated plans that PBGC has insured, and recoveries from the former sponsors of those terminated plans. PBGC's future benefit liabilities consist of those future benefits, under statutory limits, that PBGC has assumed following distress or PBGC-initiated terminations (also referred to as an involuntary termination). Gains and losses on PBGC's investments and changes in the value of PBGC's future benefit liabilities (e.g., actuarial charges such as changes in interest factors and expected interest) are included in this area.

As of September 30, 2021, the Single-Employer and Multiemployer Programs reported net positions of $30,937 million and $481 million, respectively. The Single-Employer Program had assets of $150,692 million, offset by total liabilities of $119,755 million, which include total present value of future benefits (PVFB) of $108,929 million. As of September 30, 2021, the Multiemployer Program had assets of $3,512 million, offset by $3,017 million in present value of nonrecoverable future financial assistance. The Corporation has sufficient liquidity to meet its obligations to both programs for a number of years. The FY 2020 Projections Report shows that under most projection scenarios for the Multiemployer Program, the SFA provided to eligible plans under ARP delays the insolvency of PBGC's Multiemployer Program to a point likely more than 30 years out. The SFA program created by ARP is expected to enable PBGC to satisfy long-term multiemployer obligations by shoring up currently insolvent and probable plans which in turn should significantly reduce the total present value of nonrecoverable future financial assistance.

PBGC's $141,832 million of total investments (including cash and investment income receivable) represents the largest component of PBGC's Statements of Financial Position Memorandum Total assets of $154,204 million at September 30, 2021. This amount of $141,832 million (as compared to investments under management of $138,506 million, as reported in section VIII Investment Activities) reflects the fact that PBGC experiences a recurring inflow of trusteed plan assets that have not yet been incorporated into the PBGC investment program. For total investments (i.e., not the investment program), cash and fixed-income securities ($123,407 million) represent 87 percent of the total investments, while equity securities ($15,752 million) represent 11 percent of total investments. Private market assets, real estate, and other investments ($2,672 million), represent 2 percent of the total investments.

SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAM EXPOSURE

PBGC's estimate of the total underfunding in single-employer plans was $105,381 million for those sponsored by companies that have credit ratings below investment grade and that PBGC classified as reasonably possible of termination, as of September 30, 2021. This is a decrease of $70,809 million from the reasonably possible exposure of $176,190 million in FY 2020. This decrease is primarily due to very positive investment results on plan assets during calendar 2020 and the decline in the number of companies with lower than investment grade bond ratings and/or credit scores that therefore are classified as reasonably possible. These estimates are determined using a measurement date of December 31 of the previous year (see Note 9). For FY 2021, this exposure is concentrated in the following sectors: manufacturing, transportation/communications/utilities, and services.

PBGC estimates that as of September 30, 2021, it is reasonably possible that multiemployer plans may require future financial assistance in the amount of $329 million (see Note 9). This is a decrease of $8,983 million from the reasonably possible exposure of $9,312 million in FY 2020. The primary reason for the decrease in exposure was due to the net effect of removing thirteen plans that are no longer classified as reasonably possible ($6,552 million decrease) while only two new plans are classified as reasonably possible ($147 million increase). Another driver of the decrease was the decline in the reasonably possible small plan bulk reserve due to adjustments made to account for the new SFA Program. Additionally, adjustments made to valuation assumptions had a net effect that reduced the reasonably possible exposure ($148 million decrease).

There is significant volatility in plan underfunding and sponsor credit quality over time, which makes long-term estimation of PBGC's expected claims difficult. This volatility, along with the concentration of claims in a relatively small number of terminated plans, has characterized PBGC's experience to date and will likely continue. Among the factors that will influence PBGC's claims going forward are economic conditions affecting interest rates, financial markets, and the rate of business failures.

PBGC's sources of information on plan underfunding are the most recent Section 4010 and PBGC premium filings and other submissions to the Corporation. PBGC publishes Table S-49, "Various Measures of Underfunding in PBGC-Insured Plans," in its Pension Insurance Data Tables where the limitations of the estimates are appropriately described.

Under the Single-Employer Program, PBGC is liable for the payment of guaranteed benefits with respect to underfunded terminated plans. An underfunded plan may terminate only if PBGC or a bankruptcy court finds that one of the four conditions for a distress termination, as defined in ERISA, is met or if PBGC initiates terminating a plan under one of five specified statutory tests. The net liability assumed by PBGC is generally equal to the present value of the future benefits payable by PBGC less amounts provided by the plan's assets and amounts recoverable by PBGC from the plan sponsor and members of the plan sponsor's controlled group, as defined by ERISA.

Under the Multiemployer Program, if a plan becomes insolvent, it receives financial assistance from PBGC to allow the plan to continue to pay participants their guaranteed benefits. PBGC recognizes assistance as a loss to the extent that the plan is not expected to be able to repay these amounts from future plan contributions, employer withdrawal liability or investment earnings. Since multiemployer plans do not receive PBGC assistance until fully insolvent, financial assistance is almost never repaid. For this reason, such assistance is fully reserved.

The ARP created a new special financial assistance program for multiemployer plans that meet certain criteria, for which PBGC will receive appropriated funds. Unlike the traditional financial assistance PBGC provides to multiemployer plans in the form of a loan, the special financial assistance will be provided via a transfer (pass-through of funds) with no obligation of repayment.

PBGC will report appropriated funds as Restricted Cash on the Statements of Financial Position and report income, expenses, and liabilities related to special financial assistance as separate line items on its Statements of Operations and Statements of Financial Position.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of the financial statements, in conformity with U.S. GAAP, requires PBGC to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual results could differ from those estimates.

RECENT ACCOUNTING DEVELOPMENTS

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract" which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance will be effective for fiscal years beginning after December 15, 2020 and for interim periods within annual periods beginning after December 15, 2021. PBGC has evaluated the impact of this guidance and has updated its capitalization policy in accordance with this ASU for adoption in FY 2022.

The American Rescue Plan (ARP) Act, signed into law by the President on March 11, 2021, created a program to provide special financial assistance (SFA) to financially troubled multiemployer plans. This new SFA Program is financed by an appropriation from the General Fund and the funds transferred to PBGC in the SFA appropriation are deemed a contribution from the US Government to PBGC. In June 2018, the FASB issued ASU 2018-08, "*Not-for-Profit Entities"* (Topic 958) which clarifies the guidance for contributions received and made. The amendments in this ASU, applicable to all entities, clarify and improve the scope and the accounting guidance for contributions received and contributions made. PBGC applies the guidance in this ASU to account for the SFA contributions as a nonreciprocal transaction to recognize revenue with donor restrictions. The funds transferred to PBGC in the SFA appropriations are deemed a contribution from the US Government to PBGC. PBGC will apply specific contribution guidance in ASC 958, *Not-for-Profit Entities - Revenue Recognition-Contributions,* to recognize revenue and expenses related to the SFA Program.

In March 2020 and January 2021, the FASB issued ASUs 2020-04 and ASU 2021-01, respectively, "Reference Rate Reform" (Topic 848). Topic 848 provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. Topic 848 provides optional expedients and exceptions for applying U.S. GAAP to transactions affected by reference rate reform if certain criteria are met. Topic 848 was effective for PBGC beginning on March 12, 2020, and PBGC will apply the amendments prospectively through December 31, 2022. PBGC assessed the impact of adopting these ASUs and concluded there was no material impact on PBGC's financial statements.

VALUATION METHOD

A key objective of PBGC's financial statements is to provide information that is useful in assessing PBGC's present and future ability to ensure that its plan beneficiaries receive benefits when due. Accordingly, PBGC values its financial assets at estimated fair value, consistent with the standards for pension plans contained in the FASB Accounting Standards Codification Section 960, *Defined Benefit Pension Plans*. PBGC values its liabilities at the present value of future benefits and present value of nonrecoverable future financial assistance using assumptions derived from market-based (fair value) annuity prices from insurance companies, as described in the Statement of Actuarial Opinion. As described in Section 960, the assumptions are "those assumptions that are inherent in the estimated cost at the (valuation) date to obtain a contract with an insurance company to provide participants with their accumulated plan benefit." Also, in accordance with Section 960, PBGC selects assumptions for expected retirement ages and the cost of administrative expenses in accordance with its best estimate of anticipated experience.

The FASB Accounting Standards Codification Section 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and expands disclosures about fair value measurements. Section 820 applies to accounting pronouncements that require or permit fair value measurements.

REVOLVING AND TRUST FUNDS

PBGC accounts for its Single-Employer and Multiemployer Programs' revolving and trust funds on an accrual basis. Each fund is charged its portion of the benefits paid each year. PBGC includes totals for the revolving and trust funds for presentation purposes in the financial statements; however, the Single-Employer and Multiemployer Programs are separate programs by law and, therefore, PBGC also reports them separately.

ERISA provides for the establishment of the revolving fund where premiums are collected and held. The assets in the revolving fund are used to cover deficits incurred by trusteed plans and to provide funds for traditional financial assistance. The Pension Protection Act of 1987 created a single-employer revolving fund (Fund 7) that is credited with all premiums in excess of $8.50 per participant, including all penalties and interest charged on these amounts, and its share of earnings from investments. This fund may not be used to pay PBGC's administrative costs or the benefits of any plan terminated prior to October 1, 1988, unless no other amounts are available.

The trust fund includes assets (e.g., pension plan investments) PBGC assumes (or expects to assume) once a terminated plan has been trusteed, and related investment income. These assets generally are held by custodian banks. The trust fund supports the operational functions of PBGC.

The trust fund reflects accounting activity associated with:

1) Trusteed plans (plans for which PBGC has legal responsibility). The assets and liabilities are reflected separately on PBGC's Statements of Financial Position, the income and expenses are included in the Statements of Operations, and the cash flows from these plans are included in the Statements of Cash Flows.
2) Plans pending termination and trusteeship (plans for which PBGC has begun the process for termination and trusteeship by fiscal year-end). The assets and liabilities for these plans are reported as a net amount on the Liabilities section of the Statements of Financial Position under "Present value of future benefits,

net." For these plans, the income and expenses are included in the Statements of Operations, but the cash flows are not included in the Statements of Cash Flows.

3) Probable terminations (plans that PBGC determines are likely to terminate and be trusteed by PBGC). The assets and liabilities for these plans are reported as a net amount on the Liabilities section of the Statements of Financial Position under "Present value of future benefits, net." The accrued loss from these plans is included in the Statements of Operations as part of "Losses (credits) from completed and probable terminations." The cash flows from these plans are not included in the Statements of Cash Flows. PBGC cannot exercise legal control over a plan's assets until it becomes the trustee.

ALLOCATION OF REVOLVING AND TRUST FUNDS

PBGC allocates assets, liabilities, income, and expenses to the Single-Employer and Multiemployer Programs' revolving and trust funds to the extent that such amounts are not directly attributable to a specific fund. Revolving fund investment income is allocated on the basis of each program's average cash and investments available during the year. For the administrative expenses, see the Administrative Expense section further below in Note 2. Revolving fund assets and liabilities are allocated according to the year-end equity of each program's revolving fund. Plan assets acquired by PBGC and commingled at PBGC's custodian bank are credited directly to the appropriate fund, while the earnings and expenses on the commingled assets are allocated to each program's trust fund on the basis of each trust fund's value, relative to the total value of the commingled fund.

CASH AND CASH EQUIVALENTS

"Cash" includes cash on hand and demand deposits. "Cash equivalents" are investments with original maturities of one business day or highly liquid investments that are readily convertible into cash within one business day.

SECURITIES LENDING COLLATERAL

PBGC participates in a securities lending program administered by its custodian bank. The custodian bank requires collateral that equals 102 to 105 percent of the securities lent. The collateral is held by the custodian bank. The custodian bank either receives cash or non-cash as collateral or returns collateral to cover mark-to-market changes. Any cash collateral received is invested by PBGC's investment agent. In addition to the lending program managed by the custodian bank, some of PBGC's investment managers are authorized to invest in securities purchased under resale agreements (an agreement with a commitment by the seller to buy a security back from the purchaser at a specified price at a designated future date), and securities sold under repurchase agreements.

INVESTMENT VALUATION AND INCOME

PBGC bases market values on the last sale of a listed security, on the mean of the "bid-and-ask" for non-listed securities, or on a valuation model in the case of fixed income securities that are not actively traded. These valuations are determined as of the end of each fiscal year. Purchases and sales of securities are recorded on the trade date. In addition, PBGC invests in and discloses its derivative investments in accordance with the guidance contained in the FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*. Investment income is accrued as earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses on sales of investments are calculated using first-in, first-out for the revolving fund and weighted average cost for the trust fund. PBGC marks the plan's assets to market, and any increase or decrease in the market value of a plan's assets occurring after the date on which the plan is terminated must, by law, be credited to or suffered by PBGC.

SECURITIES PURCHASED UNDER REPURCHASE AGREEMENTS

PBGC's investment managers purchase securities under repurchase agreements, whereby the seller will buy the security back at a pre-agreed price and date. Those that mature in more than one day are reported under "Fixed maturity securities" as "Securities purchased under repurchase agreements" in the Note 3 table entitled "Investments of Single-Employer Revolving Funds and Single-Employer Trusteed Plans." Repurchase agreements that mature in one day are included in "Cash and cash equivalents," which are reported on the Statements of Financial Position. Refer to Note 3 for further information regarding repurchase agreements.

SPONSORS OF TERMINATED PLANS

The amounts due from sponsors of terminated plans or members of their controlled group represent the settled, but uncollected, claims for employer liability (underfunding as of date of plan termination) and for contributions due their plan less an allowance for estimated uncollectible amounts. PBGC discounts any amounts expected to be received beyond one year for time and risk factors. Some agreements between PBGC and plan sponsors provide for contingent payments based on future profits of the sponsors. The Corporation reports any such future amounts in the period they are realizable. Income and expenses related to amounts due from sponsors are reported in the Underwriting section of the Statements of Operations. Interest earned on settled claims for employer liability (EL) and due and unpaid employer contributions (DUEC) is reported as "Income: Other." The change in the allowances for uncollectible EL and DUEC is reported as "Expenses: Other."

PREMIUMS

Premiums receivable represents (1) the plan reported premiums owed, (2) PBGC estimated amounts on filings not yet due and (3) submitted and past due premiums deemed collectible, including penalties and interest. The liability for unearned premiums represents annual premium fees that have been received in advance of the period in which they will be earned by PBGC. They remain as liabilities until they are ratably earned over the period of time to which the premium applies. "Premium income, net" represents actual and estimated revenue generated from defined benefit pension plan premium filings as required by Title IV of ERISA less bad debt expense for premiums, interest, and penalties. For insolvent multiemployer plans, bad debt expense also includes a reserve for premium payments waived by PBGC and treated as financial assistance in accordance with ERISA Section 4007 (see Note 11).

CAPITALIZED ASSETS

Capitalized assets include furniture and fixtures, electronic processing equipment, and internal-use software. This includes costs for internally developed software incurred during the application development stage (system design including software configuration and software interface, coding, and testing). These costs are shown net of accumulated depreciation and amortization. See Note 16, Other Assets, for further details.

PRESENT VALUE OF FUTURE BENEFITS (PVFB)

The PVFB is the estimated liability for future pension benefits that PBGC is or will be obligated to pay the participants of trusteed plans and the net liability for plans pending termination and trusteeship. The PVFB liability (including trusteed plans and plans pending termination and trusteeship) is stated as the actuarial present value of estimated future benefits less the present value of estimated recoveries from sponsors and members of their controlled group and the assets of plans pending termination and trusteeship as of the date of the financial statements. PBGC also includes the estimated liabilities attributable to plans classified as probable terminations as a separate line item in the PVFB (net of estimated recoveries and plan assets). PBGC uses assumptions to adjust the value of those future payments to reflect the time value of money (by discounting) and the probability of payment (by means of decrements, such as for death or retirement). PBGC also includes anticipated expenses to settle the benefit obligation in the determination of the PVFB. PBGC's benefit payments to participants reduce the PVFB liability.

The values of the PVFB are particularly sensitive to changes in underlying estimates and assumptions. These estimates and assumptions could change and the impact of these changes may be material to PBGC's financial statements (see Note 6).

PVFB is reported as follows:

(1) Trusteed Plans: Represents the present value of future benefit payments less the present value of expected recoveries (for which a settlement agreement has not been reached with sponsors and members of their controlled group) for plans that have terminated and been trusteed by PBGC prior to fiscal year-end. Assets are shown separately from liabilities for trusteed plans. PBGC's liability under the expanded Missing Participants Program is included in this category. Under this program that began in FY 2018, most terminated defined contribution plans, small professional service pension plans, and multiemployer plans can now transfer the benefits of missing participants to PBGC. Previously, the program covered only insured single-employer defined benefit plans terminating in a standard termination.

(2) Pending Termination and Trusteeship: Represents the present value of future benefit payments less the plans' net assets (at fair value) anticipated to be received and the present value of expected recoveries (for which a settlement agreement has not been reached with sponsors and members of their controlled group) for plans for which termination action has been initiated and/or completed prior to fiscal year-end. Unlike trusteed plans, the liability for plans pending termination and trusteeship is shown net of plan assets.

(3) Settlements and Judgments: Represents estimated liabilities related to settled litigation (see Note 6).

(4) Net Claims for Probable Terminations: In accordance with the FASB Accounting Standards Codification Section 450, *Contingencies*, PBGC recognizes net claims for probable terminations which represent PBGC's best estimate of the losses, net of plan assets, and the present value of expected recoveries (from sponsors and members of their controlled group) for plans that are likely to terminate in the future. Under a specific identification process, PBGC evaluates each controlled group having $50 million or more of underfunding and recognizes a contingent loss for the estimated net claim of those plans meeting the probable termination criteria. These estimated losses are based on conditions that existed as of PBGC's fiscal year-end. PBGC believes it is likely that one or more events subsequent to the fiscal year-end will occur, confirming the loss.

Criteria used for classifying a specific single-employer plan as a probable termination include, but are not limited to, one or more of the following conditions: the plan sponsor is in liquidation or comparable state insolvency proceeding with no known solvent controlled group member; the sponsor has filed or intends to file for distress plan termination and the criteria will likely be met; or PBGC is considering initiating plan termination. In addition, PBGC takes into account other economic events and factors in making judgments regarding the classification of a plan as a probable termination. These events and factors may include, but are not limited to, the following: the plan sponsor is in bankruptcy or has indicated that a bankruptcy filing is imminent; the plan sponsor has stated that plan termination is likely; the plan sponsor has received a going concern opinion from its independent auditors; or the plan sponsor is in default under existing credit agreement(s).

In addition, a reserve for small unidentified probable losses is recorded for the estimated future contingent losses stemming from insured single-employer plans with an aggregate underfunding of less than $50 million.

The reserve is based on the historical three-year rolling average of losses related to actual plan terminations (with an aggregate underfunding of less than $50 million) and indexed to the S&P 500 to reflect changes in economic conditions. See Note 6 for further information on Net Claims for Probable Terminations.

PBGC identifies certain plan sponsors as high risk if the plan sponsor is in Chapter 11 proceedings or the sponsor's senior unsecured debt is rated CCC+/Caa1 or lower by S&P or Moody's, respectively. PBGC specifically reviews each plan sponsor identified as high risk and classifies pension plans as probable if, based on available evidence, PBGC concludes that plan termination is likely (based on criteria described in (4) above). Otherwise, high risk plan sponsors are classified as reasonably possible.

In accordance with the FASB Accounting Standards Codification Section 450, *Contingencies*, PBGC's exposure to losses from plans of companies that are classified as reasonably possible is disclosed in the footnotes. In order for a plan sponsor to be specifically classified as reasonably possible, it must first have $50 million or more of underfunding, as well as meet additional criteria. Criteria used for classifying a company as reasonably possible include, but are not limited to, one or more of the following conditions: the plan sponsor is in Chapter 11 reorganization; a funding waiver is pending or outstanding with the Internal Revenue Service (IRS); the sponsor missed a minimum funding contribution; the sponsor's bond rating is below investment-grade for Standard & Poor's (BB+) or Moody's (Ba1); or the sponsor has no bond rating but the Dun & Bradstreet Failure Score (formerly Financial Stress Score) is below the threshold considered to be investment grade (see Note 9).

PRESENT VALUE OF NONRECOVERABLE FUTURE FINANCIAL ASSISTANCE

In accordance with Title IV of ERISA, PBGC provides traditional financial assistance to multiemployer plans, in the form of loans, to enable the plans to pay guaranteed benefits to participants and reasonable administrative expenses of the plan. These loans, issued in exchange for interest-bearing promissory notes, constitute an obligation of each plan.

The present value of nonrecoverable future financial assistance represents the estimated nonrecoverable payments to be provided by PBGC in the future to multiemployer plans that will not be able to meet their benefit obligations. The present value of nonrecoverable future financial assistance is based on the difference between the present value of future guaranteed benefits and expenses and the market value of plan assets, including the present value of future amounts expected to be paid by employers, for those plans that are expected to require future assistance. The amount reflects the rates at which, in the opinion of PBGC, these liabilities (net of expenses) could be settled in the market for single-premium nonparticipating group annuities issued by private insurers (see Note 7).

A liability for a particular plan is included in the "Present Value of Nonrecoverable Future Financial Assistance" when it is determined that the plan is currently, or will likely become in the future, insolvent and will require assistance to pay the participants their guaranteed benefits. In accordance with the FASB Accounting Standards Codification Section 450, *Contingencies*, PBGC recognizes net claims for probable insolvencies for plans that are likely to become insolvent and may require future financial assistance. Projecting a future insolvency requires considering several complex factors, such as an estimate of future cash flows, future mortality rates, and age of participants not in pay status.

Each year, PBGC analyzes insured multiemployer plans to identify plans that are at risk of becoming probable and reasonably possible claims on the insurance program. Regulatory filings with PBGC, IRS, and DOL are important to this analysis and determination of risk, especially the designation of critical and declining status, which means the plan is projecting insolvency within 15-20 years. In general, if a terminated plan's assets are less than the present value of its liabilities, PBGC considers the plan a probable risk of requiring financial assistance in the future.

PBGC uses specific criteria for classifying multiemployer plans as insolvent (PBGC's insurable event for multiemployer plans), probable, and reasonably possible. The criteria are as follows:

- Any multiemployer plans currently receiving traditional financial assistance are classified as insolvent.
- Terminated, underfunded multiemployer plans (i.e., "wasting trusts") are classified as probable.
- Ongoing multiemployer plans projected to become insolvent:
  - Within 10 years are classified as probable.
  - From 10 to 20 years are classified as reasonably possible.

In general, the date of insolvency is estimated by projecting plan cash flows using actuarial assumptions. PBGC uses information provided by the plan actuary for assumptions such as termination of employment rates, retirement rates, average ages, the plan's schedule of future withdrawal liability payments owed, and contributions. PBGC uses assumptions set by PBGC for purposes of projecting returns on plan assets, future contributions, future withdrawal liability payments, expenses, mortality rates, and guaranteed benefits.

In addition, a bulk reserve method is employed to estimate future contingent losses for small multiemployer plans with fewer than 2,500 participants. Probable losses for plans are accrued, and reasonably possible losses are disclosed. This small plan bulk reserve uses an aggregate method to estimate liability and exposure, rather than reviewing each plan individually, based on the use of seven years of the present value of nonrecoverable future financial assistance for plan termination history to project the current probable liability. The small plan probables are calculated using a seven-year ratio of new plan terminations or insolvencies to the total unfunded liability in a given year. This ratio is applied to the current unfunded liability for small plans to calculate the probable liability.

MPRA provides that certain plans may apply to the U.S. Treasury to suspend benefits, and provides for a participant vote on the benefit suspension. These plans also may apply to PBGC for financial assistance, either for a facilitated merger or for a partition. Plans applying for a partition are also required to apply to U.S. Treasury for a suspension of benefits. These actions do not affect the determination of the nonrecoverable future financial assistance liability until U.S. Treasury has issued the final authorization to suspend benefits in the case of a benefit suspension application, or until PBGC has approved the application for financial assistance, in the case of a facilitated merger or a partition request.

The applicable portion of the existing multiemployer liability related to the PVNFFA will be reversed at fiscal year-end for the plans expected to be eligible for Special Financial Assistance (SFA). (Refer to the "Special Financial Assistance" paragraph below for more information).

The present value of nonrecoverable future financial assistance is presented in the Liability section of the Statements of Financial Position (see Note 7).

ADMINISTRATIVE EXPENSES

These operating expenses (for either the Single-Employer or Multiemployer Programs) are amounts paid and accrued for services rendered or while carrying out other activities that constitute PBGC's ongoing operations (e.g., payroll, contractual services, office space, materials, and supplies). An expense allocation methodology is used to fully capture the administrative expenses attributable to either the Single-Employer or Multiemployer Programs. For the year-ending September 30, 2021, the Administrative Expense Reimbursement Ratio is determined to be the most representative formula to allocate actual indirect administrative expenses, as well as to record the actual direct expenses attributable to the Single-Employer and Multiemployer Programs. The Multiemployer Administrative Expense Reimbursement Ratio calculates the ratio of direct administrative expenses for the Multiemployer Program over the total administrative expenses less the direct Single-Employer administrative expenses. This is PBGC's change in estimate based on the updated methodology for allocating administrative expenses. Prior to September 30, 2021, the Single-Employer and Multiemployer Ongoing Plans Expense Ratio was calculated to allocate administrative expenses between the Single-Employer Program and the Multiemployer Program.

OTHER EXPENSES

These expenses represent an estimate of the net amount of receivables deemed uncollectible during the period. The estimate is based on the most recent status of the debtor (e.g., sponsor), the age of the receivables and other factors that indicate to what degree the receivables outstanding may be uncollectible.

LOSSES FROM COMPLETED AND PROBABLE TERMINATIONS

Amounts reported as losses from completed and probable terminations represent the difference as of the actual or expected date of plan termination (DOPT) between the present value of future benefits (including amounts owed under Section 4022(c) of ERISA) assumed, or expected to be assumed, by PBGC, less related plan assets, and the present value of expected recoveries from sponsors and members of their controlled group (see Note 12). When a plan terminates, the previously recorded probable net claim is reversed and newly estimated DOPT plan assets, recoveries, and PVFB are netted and reported on the line "PVFB - Plans pending termination and trusteeship" (this value is usually different from the amount previously reported), with any change in the estimate recorded in the Statements of Operations. In addition, the plan's net income from DOPT to the beginning of PBGC's fiscal year is included as a component of losses from completed and probable terminations for plans with termination dates prior to the year in which they were added to PBGC's inventory of terminated plans.

ACTUARIAL ADJUSTMENTS AND CHARGES (CREDITS)

PBGC classifies actuarial adjustments related to insurance-based changes in method and the effect of experience as underwriting activity; actuarial adjustments are the result of the movement of plans from one valuation methodology to another, e.g., nonseriatim (calculating the liability for the group) to seriatim (calculating a separate liability for each person), and of new updated data (e.g., deaths, revised participant data). Actuarial charges (credits) are related to changes in interest factors, and expected interest is classified as financial activity. These adjustments and charges (credits) represent the change in the PVFB that results from applying actuarial assumptions in the calculation of future benefit liabilities (see Note 6).

DEPRECIATION AND AMORTIZATION

PBGC calculates depreciation on the straight-line basis over estimated useful lives of five years for equipment and ten years for furniture and fixtures. PBGC calculates amortization for capitalized software, which includes certain costs incurred for purchasing and developing software for internal use, on the straight-line basis over estimated useful lives not to exceed five years, commencing on the date that the Corporation determines that the internal-use software is implemented. Routine maintenance and leasehold improvements (the amounts of which are not material) are charged to operations as incurred. Capitalization of software cost occurs during the development stage, and costs incurred during the preliminary project and post-implementation stages are expensed as incurred. See Note 16, Other Assets, for further details.

SPECIAL FINANCIAL ASSISTANCE

ARP established a new SFA Program and provides that certain multiemployer plans may apply to PBGC to receive SFA. PBGC, in consultation with Treasury, may impose reasonable conditions on eligible plans receiving SFA, such as allocations of plan assets, withdrawal liability, and reductions in employer contribution rates. PBGC, however, is prohibited from imposing conditions related to prospective reductions in plan benefits, plan governance relating to the terms of contracts with trustees or plan vendors, and any funding rules related to plans receiving SFA. The SFA liability will be recorded when the following conditions are met: (1) the initial application for SFA has been received by PBGC, (2) the multiemployer plan applicant has been determined to be eligible, (3) the application has been deemed to be complete, and (4) the application has been approved. Upon approval of the application, SFA will be paid in a timely manner by PBGC in the form of a lump sum payment (which is intended to allow the plan to continue paying full benefits through 2051). Unlike the traditional financial assistance loans PBGC provides to multiemployer plans, SFA will be in the form of a transfer (pass-through) of funds with no obligation to repay. No SFA transfers may be made after September 30, 2030.

PBGC will apply specific contribution guidance in ASC 958-605, *Not-for-Profit Entities*, to recognize revenue from the U.S. Treasury General Fund appropriations related to the SFA Program. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. Conditional contributions received are classified as Contributed Transfer Appropriation. Once the barriers to entitlement are overcome, the contribution is recognized as unconditional and classified as Contributed Transfer Appropriation Income.

The SFA program results in a new source of financing outside of PBGC's revolving fund. PBGC will receive appropriated SFA funds to disburse to multiemployer plans that meet certain criteria. Unlike traditional financial assistance which PBGC provides to multiemployer plans in the form of a loan, SFA will be provided via a transfer of funds (pass-through) with no obligation of repayment. At the end of each fiscal year, any unused (i.e., unobligated) appropriated SFA funds must be returned to the U.S. Treasury General Fund.

Since the SFA funding to eligible plans will likely enable the plans to pay benefits for the next 30 years, the vast majority of the traditional financial assistance liability recognized in previous years, for ongoing probable plans, has been reversed. This results in a change in the estimate to the allowance for the traditional financial assistance. PBGC reversed the allowance for insolvent multiemployer plans expected to be eligible to receive Special Financial Assistance (which reflects the expected plans' repayment of traditional financial assistance). See the MD&A Section IV, Multiemployer Program Results of Activities and Trends for the criteria to be eligible for SFA and Note 7, Multiemployer Financial Assistance for further details.

Given the significance of PBGC receiving appropriations from the U.S. Treasury General Fund for the first time, a revision to PBGC's financial statement presentation format was necessary. This includes the addition of new line items for financial statement purposes and renaming the "Statements of Operations and Changes to Net Position" to "Statements of Operations." Listed below by financial statement are the newly added financial line items:

Statements of Financial Position:

- **Restricted cash** – Appropriation (as authorized by ARP) from the U.S. Treasury General Fund for SFA to fund eligible multiemployer plans (these funds cannot be invested).
- **Special financial assistance** – A liability account representing SFA to be provided to approved multiemployer plans.
- **Contributed transfer appropriation** – An equity account representing unused SFA appropriations.

- **Cumulative results of operations** – Represents PBGC's financial position that excludes the unused appropriations from the U.S. Treasury General Fund for SFA.

Statements of Operations:

- **Contributed transfer appropriation income** – Revenue is recognized from the SFA appropriations when all conditions and restrictions placed on the appropriated SFA funds are met.
- **Administrative Special Financial Assistance** – Administrative costs associated with administering ARP special financial assistance expenses (e.g., payroll, contractors).
- **Special Financial Assistance Expense** – SFA approved (pass-through) payments made to multiemployer plans (not subject to repayment).
- **Cumulative results of operations, beginning of year** – Represents PBGC's financial operations activity that excludes the unused appropriations from the U.S. Treasury General Fund for SFA at the beginning of the fiscal year. This replaces "Net position, beginning of year."
- **Cumulative results of operations, end of period** – Represents PBGC's financial operations activity that excludes the unused appropriations from the U.S. Treasury General Fund for SFA at the end of the period. This replaces "Net position, end of year."

Statements of Cash Flows:

- **Special Financial Assistance (restricted cash)** – Appropriation from the U.S. Treasury General Fund for SFA to fund eligible multiemployer plans.

NOTE 3: INVESTMENTS

Premium receipts are invested through the revolving fund in U.S. Treasury securities. The trust funds include assets that PBGC assumes or expects to assume with respect to terminated plans (e.g., recoveries from sponsors) and investment income thereon. These assets generally are held by custodian banks. The basis and market value of the investments by type are detailed below, as well as related investment profile data. The basis indicated is the cost of the asset if assumed after the date of plan termination or the market value at date of plan termination if the asset was assumed as a result of a plan's termination. PBGC marks the plan's assets to market, and any increase or decrease in the market value of a plan's assets occurring after the date on which the plan is terminated must, by law, be credited to or suffered by PBGC. Investment securities denominated in foreign currency are translated into U.S. dollars at the prevailing exchange rates at period ending September 30, 2021. Purchases and sales of investment securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of the transactions. The portfolio does not isolate that portion of the results of operations resulting from changes in foreign exchange rates of investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments. For PBGC's securities, unrealized holding gains and losses are both recognized by including them in earnings. Unrealized holding gains and losses measure the total change in fair value — consisting of unpaid interest income earned or unpaid accrued dividend and the remaining change in fair value from holding the security.

To Be Announced (TBA) and Bond Forward transactions are recorded as regular buys and sells of investments and not as derivatives. TBA is a contract for the purchase or sale of mortgage-backed securities to be delivered on a future date. The term TBA is derived from the fact that the actual mortgage-backed security that will be delivered to fulfill a TBA trade is not designated at the time the trade is made. The securities are to be announced 48 hours prior to the established trade settlement date. TBAs are issued by the

Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and Government National Mortgage Association (GNMA). In accordance with FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*, TBA and Bond Forward contracts are deemed regular way trades as they are completed within the time frame generally established by regulations and conventions in the marketplace or by the exchange on which they are executed. Thus, recording of TBA and Bond Forward contracts recognizes the acquisition or disposition of the securities at the full contract amounts on day one of the trade.

Bond Forwards are reported to "Receivables, net – Sale of securities", and "Due for purchases of securities"; TBAs are reported to "Receivables, net – Sale of securities", "Due for purchases of securities", and "Fixed maturity securities" from derivative contracts receivables and payables. As of September 30, 2021, TBA receivables were $1,532 million and no Bond Forward receivables were reported. In addition, as of September 30, 2021, TBA payables were $3,242 million and no Bond Forward payables were reported.

INVESTMENTS OF SINGLE-EMPLOYER REVOLVING FUNDS AND SINGLE-EMPLOYER TRUSTEED PLANS

	September 30, 2021		September 30, 2020	
(Dollars in millions)	**Basis**	**Market Value**	Basis	Market Value
Fixed maturity securities:				
U.S. Government securities	**$63,397**	**$64,080**	$59,300	$63,879
Commercial paper/securities purchased under repurchase agreements	**0 ***	**0 ***	432	432
Asset backed securities	**8,697**	**8,746**	5,111	5,267
Pooled funds				
Domestic	**6,280**	**5,991**	1,083	850
International	**-**	**-**	-	-
Global/other	**0 ***	**0 ***	0 *	0 *
Corporate bonds and other	**22,921**	**24,446**	18,571	20,646
International securities	**7,774**	**7,942**	9,113	9,216
Subtotal	**109,069**	**111,205**	93,610	100,290
Equity securities:				
Domestic	**203**	**241**	1,137	1,137
International	**1,829**	**2,240**	2,130	2,472
Pooled funds				
Domestic	**3,268**	**7,768**	5,961	10,797
International	**2,844**	**5,485**	6,768	9,595
Global/other	**7**	**7**	7	7
Subtotal	**8,151**	**15,741**	16,003	24,008
Private equity	**1,166**	**320**	1,149	276
Real estate and real estate investment trusts	**1,967**	**2,153**	2,826	2,784
Insurance contracts and other investments	**108**	**200**	6	7
Total[1]	**$120,461**	**$129,619** [2]	$113,594	$127,365

* Less than $500,000

[1] Total includes securities on loan at September 30, 2021, and September 30, 2020, with a market value of $7,013 million and $5,490 million, respectively.

[2] This total of $129,619 million of investments at market value represents the single-employer assets only.

INVESTMENTS OF MULTIEMPLOYER REVOLVING FUNDS AND MULTIEMPLOYER TRUSTEED PLANS

	September 30, 2021		September 30, 2020	
(Dollars in millions)	**Basis**	**Market Value**	Basis	Market Value
Investment securities:				
Fixed U.S. Government securities	**$2,666**	**$2,688**	$2,623	$2,734
Equity securities	**-**	**-**	-	-
Total	**$2,666**	**$2,688**	$2,623	$2,734

INVESTMENT PROFILE

	September 30,	
	2021	2020
Fixed Income Assets		
Average Quality	**AA**	**AA**
Average Maturity (years)	**14.8**	**16.1**
Duration (years)	**9.3**	**12.7**
Yield to Maturity (%)	**2.1**	**1.7**
Equity Assets		
Average Price/Earnings Ratio	**22.2**	**23.4**
Dividend Yield (%)	**2.2**	**2.3**
Beta	**1.0**	**1.0**

DERIVATIVE INSTRUMENTS

PBGC assigns investment discretion and grants specific authority to all of its investment managers to invest according to specific portfolio investment guidelines the Corporation has established. PBGC further limits the use of derivatives by investment managers through tailored provisions in the investment guidelines with investment managers consistent with PBGC's investment policy statement and overall risk tolerance. These investment managers, who act as fiduciaries to PBGC, determine when it may or may not be appropriate to utilize derivatives in the portfolio(s) for which they are responsible. Investments in derivatives carry many of the same risks of the underlying instruments and carry additional risks that are not associated with direct investments in the securities underlying the derivatives.

Risks may arise from the potential inability to terminate or sell derivative positions, although derivative instruments are generally more liquid than physical market instruments. A liquid secondary market may not always exist for certain derivative positions. Over-the-counter derivative instruments also involve counterparty risk that the other party to the derivative instrument will not meet its obligations.

The use of derivatives in the PBGC investment portfolio is also further restricted insofar as they may not be used to create leverage in the portfolio. Thus, derivatives are not permitted to be utilized to leverage the portfolio beyond the maximum risk level associated with a fully invested portfolio of physical securities.

Derivative instruments are used to mitigate risk (e.g., adjust duration or currency exposures), enhance investment returns, and/or as liquid and cost-efficient substitutes for positions in physical securities. These derivative instruments are not designated as accounting hedges consistent with FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*, which requires an active designation as a prerequisite for any hedge accounting. PBGC uses a no-hedging designation, which results in the gain or loss on a derivative instrument to be recognized currently in earnings. Derivatives are accounted for at fair value in accordance with the FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*. Derivatives are marked to market with changes in value reported as a component of financial income on the Statements of Operations. PBGC presents all derivatives at fair value on the Statements of Financial Position.

During fiscal years 2021 and 2020, PBGC, through its investment managers, invested in investment products that used various U.S. and non-U.S. derivative instruments. Those products included, but are not limited to: index futures; options; money market futures; government bond futures; interest rate, credit default, and total return swaps and swaption (an option on a swap) contracts; stock warrants and rights; debt option contracts; and foreign currency futures, forward, and option contracts. Some of these derivatives are traded on organized exchanges and thus bear minimal counterparty risk. The counterparties to PBGC's non-exchange-traded derivative contracts are major financial institutions subject to ISDA (International Swaps and

Derivatives Association, Inc.) master agreements or IFEMAs (International Foreign Exchange Master Agreements) and minimum credit ratings required by investment guidelines. PBGC monitors PBGC's counterparty risk and exchanges collateral under most contracts to further support performance by counterparties. Required margin (collateral) for exchange traded and non-exchange traded centrally cleared derivatives is maintained by a clearinghouse to support the performance by counterparties, which are members of the clearinghouse, and collateral is exchanged directly with counterparties for non-exchange traded non-centrally cleared derivatives. A clearinghouse reduces the settlement risks by netting offsetting transactions between multiple counterparties by requiring higher levels of collateral deposits or margin requirements compared to bilateral arrangements. Settlement risks are also reduced by the clearinghouse providing independent valuation of trades and margin, monitoring the credit worthiness of the clearing firms, and providing a guarantee fund, which could be used to cover losses that exceed a defaulting clearing firm's margin on deposit.

A futures contract is an agreement between a buyer or seller and an established futures exchange clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date) in the future. The futures exchanges and clearinghouses clear, settle, and guarantee transactions occurring through their facilities. Upon entering into a futures contract, an "initial margin" amount (in cash or liquid securities) of generally 1 to 6 percent of the face value indicated in the futures contract is required to be deposited with the broker. Open futures positions are marked to market daily. Subsequent payments known as "variation margin" are made or received by the portfolio dependent upon the daily fluctuations in value of the underlying contract. PBGC maintains adequate liquidity in its portfolio to meet these margin calls.

PBGC also invests in forward contracts. A forward foreign currency contract is a commitment to purchase or sell a foreign currency at the settlement date (in the future) at a negotiated rate or to make settlement based on comparable economics, but without actually delivering the foreign currency. Foreign currency forward, futures, and option contracts may be used as a substitute for cash currency holdings. This is in order to minimize currency risk exposure to changes in foreign currency exchange rates and to adjust overall currency exposure to reflect the investment views of the fixed income and equity portfolio managers regarding relationships between currencies.

A swap is an agreement between two parties to exchange different financial returns on a notional investment amount. The major forms of swaps traded are interest rate swaps, credit default swaps, and total return swaps. These swaps are netted for reporting purposes. PBGC uses swap and swaption contracts to adjust exposure to interest rates, fixed income securities exposure, credit exposure, and equity exposure, and to generate income based on the investment views of the portfolio managers regarding interest rates, indices, and individual securities.

Interest rate swaps involve exchanges of fixed-rate and floating-rate interest. Interest rate swaps are often used to alter exposure to interest rate fluctuations by swapping fixed-rate obligations for floating-rate obligations, or vice versa. The counterparties to the swap agree to exchange interest payments on specific dates, according to a predetermined formula. The payment flows are usually netted against each other, with one party paying the difference to the other.

A credit default swap is a contract between a buyer and seller of protection against pre-defined credit events. PBGC may buy or sell credit default swap contracts to seek to increase the portfolio's income or to mitigate the risk of default on portfolio securities.

A total return swap is a contract between a buyer and seller of exposures to certain asset classes, such as equities. PBGC may buy or sell total return contracts to seek to increase or reduce the portfolio's exposure to certain asset classes.

An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option) or sell to (put option) the writer a designated instrument at a specified price within a specified period of time.

Stock warrants and rights allow PBGC to purchase securities at a stipulated price within a specified time limit.

For the fiscal years ended September 30, 2021 and 2020, gains and losses from settled margin calls are reported in "Investment income" on the Statements of Operations. Securities and cash are pledged as collateral for derivative contracts (e.g., futures and swaps) and are recorded as a receivable or payable.

FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*, requires the disclosure of fair values of derivative instruments and their gains and losses in its financial statements of both the derivative positions existing at period ending September 30, 2021 and the effect of using derivatives during the reporting period.

The following three key tables present PBGC's use of derivative instruments and its impact on PBGC's financial statements:

- Fair Values of Derivative Instruments – Identifies the location of derivative fair values on the Statements of Financial Position, as well as the notional amounts.
- Offsetting of Derivative Assets – Presents the impact of legally enforceable master netting agreements on derivative assets.
- Offsetting of Derivative Liabilities – Presents the impact of legally enforceable master netting agreements on derivative liabilities.

FAIR VALUES OF DERIVATIVE INSTRUMENTS

	Asset Derivative					
	September 30, 2021			September 30, 2020		
(Dollars in millions)	Statements of Financial Position Location	**Notional**	**FMV**	Statements of Financial Position Location	Notional	FMV
Futures	Derivative Contracts	**$19,164**	**$309**	Derivative Contracts	$23,731	$6
Swap contracts						
Interest rate swaps	Investments-Fixed	**1,860**	**14**	Investments-Fixed	1,200	2
Other derivative swaps	Investments-Fixed	**1,173**	**42**	Investments-Fixed	1,046	4
Option contracts	Investments-Fixed	**131**	**1**	Investments-Fixed	18	0 *
Forwards - foreign exchange	Investments-Fixed	**13,503**	**19**	Investments-Fixed	5,843	1
	Investments-Equity	**-**	**-**	Investments-Equity	-	-

	Liability Derivative					
	September 30, 2021			September 30, 2020		
(Dollars in millions)	Statements of Financial Position Location	**Notional**	**FMV**	Statements of Financial Position Location	Notional	FMV
Futures	Derivative Contracts	**$18,351**	**($101)**	Derivative Contracts	$10,578	($18)
Option contracts	Derivative Contracts	**95**	**(1)**	Derivative Contracts	385	(1)

Additional information specific to derivative instruments is disclosed in Note 4 – Derivative Contracts, and Note 5 – Fair Value Measurements.

PBGC uses a net presentation on the Statements of Financial Position for those derivative financial instruments entered into with counterparties under legally enforceable master netting agreements. Derivative receivables and derivative payables are netted on the Statements of Financial Position with the same counterparty and the related cash collateral receivables and payables when a legally enforceable master netting agreement exists (i.e., for over-the-counter derivatives). Master netting agreements are used to mitigate counterparty credit risk in certain transactions, including derivatives transactions, repurchase agreements and reverse repurchase agreements. The master netting agreement also may require the exchange of cash or marketable securities to collateralize either party's net position. Any cash collateral exchanged with counterparties under these master netting agreements is also netted against the applicable derivative fair values on the Statements of Financial Position.

OFFSETTING OF DERIVATIVE ASSETS FAIR VALUE

(Dollars in millions)	September 30, 2021 Gross Amount of Recognized Assets	September 30, 2021 Gross Amounts Offset in Statements of Financial Position	September 30, 2021 Net Amounts of Assets Presented in Statements of Financial Position	September 30, 2020 Gross Amount of Recognized Assets	September 30, 2020 Gross Amounts Offset in Statements of Financial Position	September 30, 2020 Net Amounts of Assets Presented in Statements of Financial Position
Derivatives						
Interest-rate contracts	**$ 1**	**($1)**	**$ 0***	$ 0*	$ -	$ 0*
Foreign exchange contracts	**136**	**(103)**	**33**	44	(29)	15
Other derivative contracts[1]	**3**	**(1)**	**2**	5	(1)	4
Cash collateral nettings	**-**	**12**	**12**	-	4	4
Total Derivatives	**$140**	**($93)**	**$47**	$49	($26)	$23
Other financial instruments[2]						
Repurchase agreements	**-**	**-**	**-**	768	-	768
Securities lending collateral	**6,145**	**-**	**6,145**	3,949	-	3,949
Total derivatives and other financial instruments	**$6,285**	**($93)**	**$6,192**	$4,766	($26)	$4,740

(Dollars in millions)	September 30, 2021 Gross Amounts Not Offset in Statements of Financial Position			September 30, 2020 Gross Amounts Not Offset in Statements of Financial Position		
	Net Amount of Assets Presented in Statements of Financial Position	**Collateral Received**	**Net Amount**	Net Amount of Assets Presented in Statements of Financial Position	Collateral Received	Net Amount
Repurchase agreements	**$ -**	**$ -**	**$ -**	$ 768	$ -	$768
Security lending collateral	**6,145**	**(6,145)**	**-**	3,949	(3,949)	-
Total	**$6,145**	**($6,145)**	**$ -**	$4,717	($3,949)	$768

* Less than $500,000

[1] Other derivative contracts include total return swaps, currency swaps, and credit default swaps.

[2] Under subheading "Other financial instruments", repurchase agreements and securities lending collateral are presented on a gross basis within the table and on the Statements of Financial Position.

OFFSETTING OF DERIVATIVE LIABILITIES FAIR VALUE

(Dollars in millions)	September 30, 2021 Gross Amount of Recognized Liabilities	September 30, 2021 Gross Amounts Offset in Statements of Financial Position	September 30, 2021 Net Amounts of Assets Presented in Statements of Financial Position	September 30, 2020 Gross Amount of Recognized Liabilities	September 30, 2020 Gross Amounts Offset in Statements of Financial Position	September 30, 2020 Net Amounts of Assets Presented in Statements of Financial Position
Derivatives						
Interest-rate contracts	**$ 1**	**($1)**	**$ 0***	$ -	$ -	$ -
Foreign exchange contracts	**117**	**(103)**	**14**	43	(29)	14
Other derivative contracts[1]	**1**	**(1)**	**0***	9	(1)	8
Cash collateral nettings	**-**	**-**	**-**	-	-	-
Total Derivatives	**$119**	**($105)**	**$14**	$52	($30)	$22
Other financial instruments[2]						
Resale agreements	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -
Securities lending collateral	**6,145**	**-**	**6,145**	3,949	-	3,949
Total derivatives and other financial instruments	**$6,264**	**($105)**	**$6,159**	$4,001	($30)	$3,971

(Dollars in millions)	September 30, 2021 Gross Amounts Not Offset in Statements of Financial Position: Net Amount of Liabilities Presented in Statements of Financial Position	September 30, 2021 Collateral Received	September 30, 2021 Net Amount	September 30, 2020 Gross Amounts Not Offset in Statements of Financial Position: Net Amount of Liabilities Presented in Statements of Financial Position	September 30, 2020 Collateral Received	September 30, 2020 Net Amount
Resale agreements	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -
Security lending collateral	**6,145**	**(6,145)**	**-**	3,949	(3,949)	-
Total	**$6,145**	**($6,145)**	**$ -**	$3,949	($3,949)	$ -

* Less than $500,000

[1] Other derivative contracts include total return swaps, currency swaps, and credit default swaps.

[2] Under subheading "Other financial instruments", repurchase agreements and securities lending collateral are presented on a gross basis within the table and on the Statements of Financial Position.

The following table identifies the location of derivative gains and losses on the Statements of Operations as of September 30, 2021, and September 30, 2020.

EFFECT OF DERIVATIVE CONTRACTS ON THE STATEMENTS OF OPERATIONS

(Dollars in millions)	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives **Sept. 30, 2021**	Sept. 30, 2020
Futures			
Contracts in a receivable position	Investment Income-Fixed	**($24)**	($1,431)
Contracts in a receivable position	Investment Income-Equity	**-**	-
Contracts in a payable position	Investment Income-Fixed	**(1,051)**	1,919
Contracts in a payable position	Investment Income-Equity	**-**	-
Swap agreements			
Interest rate swaps	Investment Income-Fixed	**22**	(19)
Other derivative swaps	Investment Income-Fixed	**(1)**	(10)
Option contracts			
Options purchased (long)	Investment Income-Fixed	**2**	1
Options purchased (long)	Investment Income-Equity	**-**	-
Options written (sold short)	Investment Income-Fixed	**(1)**	(1)
Options written (sold short)	Investment Income-Equity	**-**	0 *
Forward contracts			
Forwards - foreign exchange	Investment Income-Fixed	**42**	(50)
	Investment Income-Equity	**0** *	0 *

* Less than $500,000

Additional information specific to derivative instruments is disclosed in Note 4 - Derivative Contracts, and Note 5 - Fair Value Measurements.

SECURITIES LENDING

PBGC participates in a securities lending program administered by its custodian bank. The custodian bank requires initial collateral that equals 102 to 105 percent of the securities lent. The collateral is held by the custodian bank or its agent. The custodian bank either receives cash or non-cash as collateral or returns collateral to cover mark-to-market changes. Any cash collateral received is invested by PBGC's investment agent. In addition to the lending program managed by the custodian bank, some of PBGC's investment managers are authorized to invest in securities purchased under resale agreements (an agreement with a commitment by the seller to buy a security back from the purchaser at a specified price at a designated future date).

The average value of securities on loan through September 30, 2021, and through September 30, 2020, was $6,952 million and $6,041 million, respectively. The average value of lendable securities was $45,605 million through September 30, 2021, and $41,012 million through September 30, 2020. The ratio of the average value of securities on loan and the average value of lendable securities is the average utilization rate. This average utilization rate was 15 percent through both September 30, 2021 and September 30, 2020.

The average value of U.S. Corporate Bonds and Equity securities on loan through September 30, 2021, was $3,672 million, as compared to $3,218 million through September 30, 2020. The average value of U.S. Corporate Bonds and Equity securities on loan is 53 percent of the $6,952 million average value of securities on loan through September 30, 2021, as compared to 53 percent of the $6,041 million average value of securities on loan through September 30, 2020. The average value of lendable U.S. Corporate Bonds and Equity securities was $26,764 million through September 30, 2021, or 59 percent of PBGC's overall average value of lendable securities; while the average value of lendable U.S. Corporate Bonds and Equity securities was $23,453 million through September 30, 2020, or 57 percent of PBGC's overall average value of lendable securities. The average utilization of U.S. Corporate Bonds and Equity securities was 14 percent through both September 30, 2021 and September 30, 2020.

The average value of U.S. Government securities on loan through September 30, 2021, was $3,218 million, as compared to $2,773 million through September 30, 2020. The average value of U.S. Government securities on loan was 46 percent of the $6,952 million average value of securities on loan through September 30, 2021, as compared to 46 percent of the $6,041 million average value of securities on loan through September 30, 2020. The average value of lendable U.S. Government securities through September 30, 2021, was $14,271 million, or 31 percent of PBGC's overall average value of lendable securities; whereas the average value of lendable U.S. Government securities through September 30, 2020, was $13,348 million, or 33 percent of PBGC's overall average value of lendable securities. The average utilization of U.S. Government securities was 23 percent through September 30, 2021 and 21 percent through September 30, 2020. Utilization of U.S. Government securities increased year over year because of a higher level of demand for U.S. Government Securities from borrowers. The following table presents utilization rates of investment securities in the custodian administered securities lending program.

UTILIZATION RATES IN THE SECURITIES LENDING PROGRAM

	Daily Utilization Rates at Sept. 30, 2021	Sept. 30, 2021 Average Utilization Rates	Sept. 30, 2020 Average Utilization Rates
U.S. Corporate Bond & Equity	13%	14%	14%
U.S. Government Securities	21%	23%	21%
Non-U.S. Corporate Bond & Equity	3%	2%	2%
Non-U.S. Fixed Income	0%*	0%*	0%*
Total PBGC Program	14%	15%	15%

*Less than 1%.

The amount of cash collateral received for securities on loan at September 30, 2021, and September 30, 2020, was $6,145 million and $3,949 million, respectively. These amounts are recorded as assets and are offset with a corresponding liability. For lending agreements collateralized by securities, no accompanying asset or liability is recorded, as PBGC does not sell or re-pledge the associated collateral. For those securities lending activities that PBGC directs through its custodian manager, the Corporation chooses to invest proceeds from securities lending in the PBGC Collateral Fund.

In addition to its custodian agent lending program, PBGC invests in commingled index funds that participate in securities lending. PBGC does not own the securities in a commingled fund but owns units in the fund. The index fund provider utilizes an affiliated lending agent that lends the securities in the fund and receives collateral in return. The lending agent monitors and manages the collateral levels as well as monitors the credit quality and operations of their lending counterparties. The lending agent performs this service on behalf of the many clients that are invested in the commingled funds that participate in securities lending. This collateral is not valued or recorded on PBGC's financial statements as PBGC only owns units in the commingled funds.

PBGC's earnings from its agency securities lending programs as of September 30, 2021, and September 30, 2020, was $12 million and $21 million, respectively. Also contributing to PBGC's securities lending income is its participation in the commingled index funds mentioned above. Net income from securities lending is included in "Investment income – Fixed" on the Statements of Operations.

PBGC does not have the right by contract or custom to sell or re-pledge non-cash collateral, and therefore it is not reported on the Statements of Financial Position. Non-cash collateral, which consists of highly rated debt instruments, has decreased year over year.

REPURCHASE AGREEMENTS

PBGC's repurchase agreements entitle and obligate the Corporation to repurchase or redeem the same or substantially the same securities that were previously transferred as collateralized securities. In addition, repurchase agreements require the Corporation to redeem the collateralized securities, before maturity at a fixed determinable price.

As of September 30, 2021, PBGC had no repurchase agreements. Repurchase agreements include maturities of one day which is reported as an asset and included in the "Cash and cash equivalents" balance. Those that mature in more than one day are reported under "Fixed maturity securities". There was no associated liability for these secured borrowings reported as "Securities sold under repurchase agreements." PBGC has no restrictions placed on the cash received for all its outstanding repurchase agreements as of September 30, 2021.

NOTE 4: DERIVATIVE CONTRACTS

PBGC's derivative financial instruments are recorded at fair value and are included on the Statements of Financial Position as investments and derivative contracts. Foreign exchange forwards are included in "Fixed maturity securities." Swaps are netted for the individual contracts and are also included in "Fixed maturity securities." Swaps listed in the tables below represent the receivables and payables in an open trade position. Contracts for Futures in the tables below represent margin variation receivables and payables. The amounts subject to credit risk related to derivative instruments are generally limited to the amounts, if any, by which the counterparty's obligations exceed PBGC's obligations with that counterparty. PBGC considers this risk remote and does not expect the settlement of these transactions to have a material effect in the Statements of Operations and Statements of Financial Position.

Amounts in the table below represent the derivative contracts in a receivable position at September 30, 2021. Collateral deposits of $191 million, which represent cash paid as collateral on certain derivative contracts, are shown below.

DERIVATIVE CONTRACTS

(Dollars in millions)	**September 30, 2021**	September 30, 2020
Receivables on derivatives:		
Collateral deposits	**$191** [1]	$93 [2]
Futures contracts	**309**	6
Interest rate swaps (open trade receivable)	**25**	0
Other derivative swaps (open trade receivable)	**84**	23
Total	**$609**	$122

[1] For FY 2021, where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits receivable are $191 million ($200 million gross collateral deposits receivable less $9 million due to a netting of collateral deposits receivable and payable).

[2] For FY 2020, where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits receivable are $93 million ($106 million gross collateral deposits receivable less $13 million due to a netting of collateral deposits receivable and payable).

Amounts in the Derivative Contracts table below represent derivative contracts in a payable position at September 30, 2021, which PBGC reflects as a liability. Collateral deposits of $347 million, which represent cash received as collateral on certain derivative contracts, are included.

DERIVATIVE CONTRACTS

(Dollars in millions)	**September 30, 2021**	September 30, 2020
Payables on derivatives:		
Collateral deposits	**$347** [1]	$31 [2]
Futures contracts	**101**	18
Interest rate swaps (open trade payable)	**25**	0
Other derivative swaps (open trade payable)	**84**	23
Options fixed/equity – income	**1**	1
Total	**$558**	$73

[1] For FY 2021, where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits payable are $347 million ($356 million gross collateral deposits payable less $9 million due to a netting of collateral deposits receivable and payable).

[2] For FY 2020, where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits payable are $31 million ($44 million gross collateral deposits payable less $13 million due to a netting of collateral deposits receivable and payable).

NOTE 5: FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification Section 820, *Fair Value Measurements and Disclosures*, provides a consistent definition of fair value and establishes a framework for measuring fair value in accordance with U.S. GAAP. It does not require the measurement of financial assets and liabilities at fair value. The standard is intended to increase consistency and comparability in, and disclosures about, fair value measurements by giving users better information about how extensively PBGC uses fair value to measure financial assets and liabilities, the inputs PBGC used to develop those measurements and the effect of the measurements, if any, on the financial condition, results of operations, liquidity, and capital.

Section 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an "exit price") in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants on the measurement date. When PBGC measures fair value for its financial assets and liabilities, PBGC considers the principal or most advantageous market in which the Corporation would transact. PBGC also considers assumptions that market participants would use when pricing the asset or liability. When possible, PBGC looks to active and observable markets to measure the fair value of identical, or similar, financial assets or liabilities. When identical financial assets and liabilities are not traded in active markets, PBGC looks to market observable data for similar assets and liabilities. In some instances, certain assets and liabilities are not actively traded in observable markets, and as a result PBGC uses alternative valuation techniques to measure their fair value.

In addition, Section 820 establishes a hierarchy for measuring fair value. That hierarchy is based on the observability of inputs to the valuation of a financial asset or liability as of the measurement date. The standard also requires the recognition of trading gains or losses related to certain derivative transactions whose fair value has been determined using unobservable market inputs.

PBGC believes that its valuation techniques and underlying assumptions used to measure fair value conform to the provisions of Section 820. PBGC has categorized the financial assets and liabilities that PBGC carries at fair value in the Statements of Financial Position based upon the standard's valuation hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to pricing methods with significant observable market inputs (Level 2), and the lowest priority to significant unobservable valuation inputs (Level 3).

If the inputs used to measure a financial asset or liability cross different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. PBGC's assessment of the significance of a particular input to the overall fair value measurement of a financial asset or liability requires judgment, and considers factors specific to that asset or liability, as follows:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market. PBGC's Level 1 investments primarily include exchange-traded equity securities and certain U.S. Government securities.

Level 2 - Financial assets and liabilities whose values are based on quoted prices for similar assets and liabilities in active markets. PBGC also considers inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets. This includes cash equivalents, securities lending collateral, U.S. Government securities, asset backed securities, fixed foreign investments, corporate bonds, repurchase agreements, bond forwards, and swaps.
- Quoted prices for identical or similar assets or liabilities in non-active markets. This includes corporate stock, pooled funds fixed income, pooled funds equity, and foreign investments equity.

- Pricing models whose inputs are observable for substantially the full term of the asset or liability — included are insurance contracts and bank loans.
- Pricing models whose inputs are derived principally from or are corroborated by observable market information through correlation or other means for substantially the full term of the asset or liability.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable in the market and significant to the overall fair value measurement. These inputs reflect PBGC's judgment about the assumptions that a market participant would use in pricing the asset or liability and based on the best available information. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. PBGC includes instruments whose values are based on a single source such as a broker, pricing service, or dealer, which cannot be corroborated by recent market transactions. These include fixed maturity securities such as corporate bonds that are comprised of securities that are no longer traded on the active market and/or not managed by any asset manager. Equity securities such as corporate stocks are also included, comprised of securities that are no longer traded on the active market and/or not managed by any asset manager. Real estate funds that invest primarily in U.S. commercial real estate are valued based on each underlying investment within the fund/account; they incorporate valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information, including comparable transactions, and performance multiples, among other factors. The assets and liabilities that PBGC carries at fair value are summarized by the three levels required by Section 820 in the following table. The fair value of the asset or liability represents the "exit price" – the price that would be received to sell the asset or paid to transfer the liability.

FAIR VALUE MEASUREMENTS ON A RECURRING BASIS AS OF SEPTEMBER 30, 2021

(Dollars in millions)	Investment Measured at Net Asset Value (NAV)	Quoted Market Prices in Active Markets (Level 1)	Pricing Methods with Significant Observable Market Inputs (Level 2)	Pricing Methods with Significant Unobservable Market Inputs (Level 3)	Total Net Carrying Value in Statements of Financial Position
Assets					
Cash and cash equivalents	$ -	$ 2,783	$ 6,094	$ -	$ 8,877
Securities lending collateral[1]	-	-	6,145	-	6,145
Investments:					
Fixed maturity securities					
U.S. Government securities	-	-	66,768	-	
Commercial paper/securities purchased under repurchase agreements	-	-	0*	-	
Asset backed/Mortgage backed securities	-	-	8,746	-	
Pooled funds[2]	-	59	0*	-	
Pooled funds fixed maturity at NAV[2,3]	5,932	-	-	-	
Corporate bonds and other	-	26	24,420	0*	
International securities	-	19	7,923	-	
Total Fixed Maturity Securities	5,932	104	107,857	0*	113,893
Equity securities:					
Domestic	-	158	78	5	
International	-	2,240	0*	0*	
Pooled funds[2]	-	81	-	-	
Pooled funds equity securities NAV[2,3]	13,179	-	-	-	
Total Equity Securities	13,179	2,479	78	5	15,741
Private equity at NAV[3]	320	-	-	-	320
Real estate and real estate investment trusts	-	1,672	-	25	
Real estate and real estate investment trusts at NAV[3]	456	-	-	-	
Total Real Estate	456	1,672	-	25	2,153
Insurance contracts and other Investments	0*	0*	-	200	200
Receivables: [4]					
Derivative contracts[5]	-	309	300	-	609
Liabilities					
Payables: [4]					
Derivative contracts[6]	-	102	456	-	558

* Less than $500,000.

1 For securities lending details, please refer to the Securities lending section in Note 3 – Investments.

2 Pooled funds fixed and Pooled funds equity consists of domestic, international and global/other.

3 Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have been excluded from fair value hierarchy. See Significant Accounting Policies – Note 2.

4 Where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits receivable are $191 million ($200 million gross collateral deposits receivable less $9 million due to a netting of collateral deposits receivable and payable). Collateral deposits payable are $347 million ($356 million gross collateral deposits payable less $9 million due to a netting of collateral deposits receivable and payable).

5 Derivative contracts receivables are comprised of open receivable trades on futures, swaps, and collateral deposits. See the Derivative Contracts table under Note 4.

6 Derivative contracts payables are comprised of open payable trades on futures, swaps, options, and collateral deposits. See the Derivative Contracts table under Note 4.

As of September 30, 2021, there were no significant transfers between Level 1 and Level 2. The end of the reporting period is the date used to recognize transfers between levels.

CHANGES IN LEVEL 3 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS FOR THE YEAR ENDED SEPTEMBER 30, 2021

(Dollars in millions)	Fair Value at September 30, 2020	Total Realized and Unrealized Gains (Losses) included in Income	Purchases	Sales	Transfers Into Level 3	Transfers Out of Level 3[1]	Fair Value at September 30, 2021	Change in Unrealized Gains (Losses) Related to Financial Instruments held at September 30, 2021[2]
Assets:								
Fixed	$ 0*	0*	0*	0*	-	-	$ 0*	$ 0*
Pooled funds (fixed)	$ -	-	-	-	-	-	$ -	$ -
Domestic/Int'l equity[3]	$ 4	1	1	(1)	-	-	$ 5	$ 1
Private equity	$ -	-	-	-	-	-	$ -	$ -
Real estate & real estate investment trusts	$ 8	(3)	76	(56)	0*	-	$ 25	$ 0*
Other	$ 7	91	170	(68)	-	-	$200	$91

* Less than $500,000

1 Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have been excluded from fair value hierarchy. See Significant Accounting Policies – Note 2.

2 Amounts included in this column solely represent unrealized gains and losses and cannot be derived from other columns from this table.

3 Assets which are not actively traded in the marketplace.

Pursuant to FASB Accounting Standards Codification Section 820, *Fair Value Measurement, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*; additional disclosures for Investments priced at Net Asset Value are discussed below.

FAIR VALUE MEASUREMENTS OF INVESTMENTS THAT ARE MEASURED AT NET ASSET VALUE PER SHARE (OR ITS EQUIVALENT) AS A PRACTICAL EXPEDIENT FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Net Asset Value (in millions)	Unfunded Commitments [1,2]	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real estate (a)	$ 456	$ 32	n/a	n/a
Private equity (b)	320	77	n/a	n/a
Pooled funds (c)	19,111	-	n/a	n/a
Total	$19,887	$109		

[1] Unfunded amounts include recallable distributions. A substantial portion of the unfunded commitments is unlikely to be called.
[2] These amounts include unfunded commitments that are measured at Net Asset Value.

a. This class includes public and private real estate investments that invest primarily in U.S. commercial real estate and U.S. residential real estate. For the private real estate investments, the fair value of each individual investment in this class has been estimated using the net asset value of PBGC's ownership interest in partners' capital. Generally, these investments do not have redemption provisions. Distributions from each asset include periodic income payments and the proceeds from the sale of the underlying real estate assets. The underlying real estate assets can generally be held indefinitely from the inception date of the investment. There are no plans to sell PBGC's interest in private real estate fund investments in this class in the secondary market. The public real estate investment is an investment in a unit trust that is intended to match the return of a REIT index. Units reflect a pro-rata share of the fund's investments. The per unit net asset value is determined each business day based on the fair value of the fund's investments. Issuances and redemptions are possible at least monthly when a per unit value is determined and are based upon the closing per unit net asset value.

b. This class includes private market investments that invest primarily in U.S. buyout and U.S. venture capital funds. These investments do not generally have redemption provisions. Instead, investments in this class typically make distributions which result from liquidation of the underlying assets of the funds. These distributions can extend 10 years or more from the inception of each individual fund. The fair value of each individual investment has been estimated using the net asset value of PBGC's ownership interest in partners' capital.

c. This class includes investments in unit trusts that are intended to match or outperform the returns of domestic and international indices. Units reflect a pro-rata share of the fund's investments. The per unit net asset value is determined each business day based on the fair value of the fund's investments. Issuances and redemptions are possible at least monthly when a per unit value is determined and are based upon the closing per unit net asset value.

PBGC uses recent prices of group annuities to derive the interest factors used to calculate the present value of future benefit-payment obligations. PBGC determines the interest-factor set that, when combined with a specified mortality table, produces present values that approximate the prices private insurers would charge to annuitize the same benefit-payment obligations.

Based on this valuation and in accordance with the provisions of the FASB Accounting Standards Codification Section 820, *Fair Value Measurements and Disclosures*, the significant unobservable inputs for the liability is the interest factor risk for Level 3 fair value measurements. A change in interest factors has an impact to the calculation of PBGC's PVFB, and the impact will be reflected in the "Due to change in interest factors." The table below summarizes the hypothetical results of using a 100 basis point difference causing the PVFB liability to increase (decrease) with a corresponding decrease (increase) in the interest factors. Furthermore, any such hypothetical change in the PVFB liability would have a corresponding effect on "Due to change in interest factors" expense.

HYPOTHETICAL AND ACTUAL INTEREST FACTOR SENSITIVITY CALCULATIONS OF PVFB SINGLE-EMPLOYER TRUSTEED PLANS AND MULTIEMPLOYER PROGRAM[1]

September 30, 2021 *(Dollars in millions)*	**Sensitivity Factors Curve of One-Year Spot Rates (Interest Factors) - Varies Annually from -0.56% in year 1 for 30 years, 1.30% thereafter**	**Official Factors[2] Curve of One-Year Spot Rates (Interest Factors) - Varies Annually from 0.44% in year 1 for 30 years, 2.30% thereafter**	**Sensitivity Factors Curve of One-Year Spot Rates (Interest Factors) - Varies Annually from 1.44% in year 1 for 30 years, 3.30% thereafter**
Single-Employer Program[3]	$120,490	**$108,795**	$99,053
Multiemployer Program[4]	3,365	**3,017**	2,728
Total	$123,855	**$111,812**	$101,781

[1] Level 3 Fair Value Measurements.
[2] Actual Spot Curve factors and PVFB amounts calculated for September 30, 2021, fiscal year-end financial statements.
[3] Gross PVFB liability for trusteed plans prior to the netting of recoveries.
[4]Liabilities for the Multiemployer Program includes a remaining $8.9 million assistance payment for Local 235 merger.

NOTE 6: PRESENT VALUE OF FUTURE BENEFITS

The PVFB is the estimated liability for future pension benefits that PBGC is or will be obligated to pay for trusteed plans and plans pending termination and trusteeship. For financial statement purposes, the net assets of plans pending termination and trusteeship (including estimated recoveries, assets, and miscellaneous liabilities) are included in the line item "Plans Pending Termination and Trusteeship." The estimated losses on probable future plan terminations are also included in the PVFB. The PVFB liability is stated as the actuarial present value of estimated future benefit payments.

PBGC uses a curve of interest factors to determine the actuarial present value of future benefit payments (as well as projected multiemployer nonrecoverable future financial assistance as discussed in Note 7). PBGC collects group annuity prices through a survey managed by the American Council of Life Insurers (ACLI) to obtain input needed to determine interest factors and then derives a 30-year curve of interest factors that best matches the private sector annuity prices from the ACLI surveys. PBGC's process derives the curve of interest factors that best align with the range of average annuity prices from the ACLI surveys.

These interest factors were determined to be those that, given the mortality assumption used, best match the group annuity prices provided by the ACLI surveys. The yield curve of interest rates is adjusted to best fit the average survey annuity prices which include unobserved factors such as: differing mortality improvement expectations; regulatory costs; varying profit and book-of-business expectations; etc. Many factors including Federal Reserve policy, changing expectations about longevity risk, and competitive market conditions may affect these rates.

The rates determined as the best fit for the price information from the two most recent ACLI surveys, as of June 30, 2021 and March 31, 2021, have been adjusted to the date of the financial statements using market interest rates. In PBGC's opinion, the liability for future benefit payments, net of administrative expenses, could be settled in the market for single-premium nonparticipating group annuities issued by private insurers at September 30, 2021 using these rates.

Group annuity pricing rates from the surveys were adjusted to the PVFB measurement date using rate information obtained from the Intercontinental Exchange (ICE) index data platform. Corporate bond rates are from the ICE AAA-A3 market-weighted corporate bond spot curve which is based primarily on single A bond rates. Treasury rates are from the ICE U.S. Government spot curve.

Effective March 31, 2021, PBGC made a change to the mortality assumption used solely to derive the curve of interest rates and introduced changes intended to better reflect the impact of competitive bidding on the actual cost of group annuity transactions. The mortality assumption used was the latest Society of Actuaries (SOA) mortality table (Pri-2012 blended table based on the Employee and Non-Disabled Annuitant mortality tables) and improvement scales (MP-2020). The latest SOA table is PBGC's best estimate of the mortality assumption being used by insurance companies to determine group annuity premiums. Previously, PBGC used the same mortality assumption used to measure the PVFB (RP-2014 with gender adjustments) to match the average of the premium information from the surveys.

In addition, PBGC introduced changes intended to determine a yield curve of spot rates that better represent actual group annuity transaction costs:

- Competitive Bid – Group annuity transactions typically start with an "informational round" of bidding using "off-the-shelf" or "sheet rate" premiums. PBGC's view is that the rates received from the insurer surveys are based on these "off-the-shelf" rates. However, actual group annuity transactions are typically won by the lowest bidder in a final round of bidding. To reflect this competitive bidding, PBGC now averages the lowest half (lowest cost) of the survey premium rates received. Prior to December 31, 2020, PBGC averaged all the survey premium rates received.

- Related Changes – in conjunction with the competitive bid change, PBGC has also made some procedural changes effective December 31, 2020:
    - *Average Insurer Costs* – PBGC introduced the concept of determining a weighted average premium for each insurer using age/gender weightings for a typical pension plan population. These average premiums are used when determining outliers as described below.
    - *Optimal Fit of Yield Curve* – The age/gender weightings for a typical pension plan, as discussed above, are also used to minimize the differences between the calculated hypothetical premium rates and the actual average insurer premiums based on the surveys received.
    - *Outlier Determinations* – Previously, insurer survey responses were reviewed, and high/low outlier insurer premium rates were identified using three separate tests where all three tests needed to fail for an insurer to be considered an outlier. At most, only one high and one low outlier would be identified each quarter. Now, the outlier test has been revised to use two simplified tests and more than two outliers can be identified each quarter.

- *Average Insurer Premiums* – Each insurer is assigned size units between 1 and 10 based on responses to survey questions related to the insurer's volume of business and book of business. The size units are used to weight the premium rate information from each insurer and the lowest-cost half of the size units are used to determine the weighted average premiums. This weighting is done to ensure that a significant portion of the business done in the group annuity market is represented in the average premiums used to determine the yield curve.

Effective September 30, 2021, PBGC made an additional change by making a small adjustment to the curve of interest rates to represent the portion of administrative expenses that is believed to be implicitly embedded in the premium rates provided in the group annuity surveys. As of September 30, 2021, this small adjustment was an increase in interest rates of 0.031%.

The impact of all the changes noted above on the PVFB measurement is summarized in the following table.

Change	**Change in PVFB as of 09/30/2021** *(Dollars in millions)*	**Percentage Change in PVFB**
Updated mortality table	$2,595	2.13%
Competitive bid and related changes	($5,263)	(4.33%)
Implicit administrative expense adjustment	($336)	(0.28%)
Total impact	($3,004)	(2.47%)

Illustrated in the table below is a comparison of the September 30, 2021 and September 30, 2020 yield curves shown in spot rate format. Future payments are discounted by the single spot rate applicable for the future year in which the payment is made. For September 30, 2021, the spot rate yield curve starts with an interest factor of 0.44% in year 1 and changes as the future period for discounting gets longer until year 31 when the factor becomes 2.30% and is assumed to remain level thereafter. For September 30, 2020, the spot rate yield curve started with an interest factor of 0.62% in year 1 and the interest factor for year 31 and beyond was 1.49%.

CURVE OF SPOT RATES FOR SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020

Period (in Years)	09/30/2021	09/30/2020	Change	Period (in Years)	09/30/2021	09/30/2020	Change
1	0.44%	0.62%	-0.18%	16	2.42%	1.64%	0.78%
2	0.71%	0.71%	0.00%	17	2.44%	1.64%	0.80%
3	1.07%	0.90%	0.17%	18	2.46%	1.64%	0.82%
4	1.39%	1.09%	0.30%	19	2.47%	1.64%	0.83%
5	1.65%	1.25%	0.40%	20	2.49%	1.64%	0.85%
6	1.86%	1.38%	0.48%	21	2.49%	1.63%	0.86%
7	2.01%	1.47%	0.54%	22	2.50%	1.62%	0.88%
8	2.12%	1.54%	0.58%	23	2.49%	1.61%	0.88%
8	2.20%	1.58%	0.62%	24	2.48%	1.60%	0.88%
10	2.25%	1.60%	0.65%	25	2.46%	1.58%	0.88%
11	2.30%	1.62%	0.68%	26	2.44%	1.56%	0.88%
12	2.33%	1.63%	0.70%	27	2.41%	1.54%	0.87%
13	2.35%	1.63%	0.72%	28	2.38%	1.52%	0.86%
14	2.38%	1.64%	0.74%	29	2.34%	1.50%	0.84%
15	2.40%	1.64%	0.76%	30	2.30%	1.49%	0.81%
				Longer Periods	2.30%	1.49%	0.81%

PBGC uses a fully generational mortality projection scale to measure the PVFB. The mortality tables PBGC used for September 30, 2021 consisted of the Retirement Plan 2014 (RP-2014) Healthy Male mortality table times 1.09 and the RP-2014 Healthy Female mortality table times 0.99 each with adjustments before age 50 and projected generationally with the Male and Female MP-2020 Projection Scales, respectively. For September 30, 2020, PBGC used the same mortality tables projected generationally with the Male and Female MP-2019 Projection Scales, respectively.

The expense reserve factor for administrative expenses is 0.68 percent plus additional reserves for cases in which plan asset determinations, participant database audits, and actuarial valuations were not yet complete. In addition to the completion of these milestones, PBGC continues to base the reserve on case size, number of participants, and time since trusteeship. For September 30, 2020 year-end, PBGC used the same expense reserve factors for administrative expenses.

The PVFB for trusteed plans for FY 2021 and FY 2020 reflect the payment of benefits and the changes in interest and mortality assumptions, expected interest, and the effect of experience. The resulting liability represents PBGC's best estimate of the measure of anticipated experience under these programs.

The table below summarizes the actuarial adjustments, charges, and credits that explain how the Corporation's Single-Employer Program liability for the PVFB changed for the fiscal year ended September 30, 2021, and for the fiscal year ended September 30, 2020.

RECONCILIATION OF THE PRESENT VALUE OF FUTURE BENEFITS FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	September 30,			
(Dollars in millions)	**2021**		2020	
Present value of future benefits, at beginning of year -- Single-Employer, net		**$120,430**		$113,100
Estimated recoveries, prior year		**135**		146
Assets of terminated plans pending trusteeship, net, prior year		**1,237**		378
Present value of future benefits at beginning of year, gross		**121,802**		113,624
Settlements and judgments, prior year		**(17)**		(17)
Net claims for probable terminations, prior year		**(202)**		(173)
Actuarial adjustments -- underwriting:				
Changes in method and assumptions	**(3,859)**		838	
Effect of experience	**(80)**		(790)	
Total actuarial adjustments -- underwriting	**(3,939)**		48	
Actuarial charges -- financial:				
Expected interest	**762**		2,620	
Change in interest factors	**(5,282)**		6,207	
Total actuarial charges -- financial	**(4,520)**		8,827	
Total actuarial charges, current year		**(8,459)**		8,875
Terminations:				
Current year	**5,761**		5,508	
Changes in prior year	**6**		(108)	
Total terminations		**5,767**		5,400
Benefit payments, current year[1]		**(6,440)**		(6,126)
Estimated recoveries, current year		**(150)**		(135)
Assets of terminated plans pending trusteeship, net, current year		**(3,643)**		(1,237)
Settlements and judgments, current year [2]		**17**		17
Net claims for probable terminations:				
Future benefits[3]	**347**		429	
Estimated plan assets and recoveries from sponsors	**(93)**		(227)	
Total net claims, current year		**254**		202
Present value of future benefits, at end of year -- Single-Employer, net		**108,929**		120,430
Present value of future benefits, at end of year -- Multiemployer		**0***		0*
Total present value of future benefits, at end of year, net		**$108,929**		$120,430

* Less than $500,000 (actual amount is $44,766 and $62,865 for the 10 Pre-MPPAA (Multiemployer Pension Plan Amendments Act) trusteed multiemployer plans at September 30, 2021, and September 30, 2020, respectively).

1 The benefit payments of $6,440 million at September 30, 2021, and $6,126 million at September 30, 2020, include $139 million in FY 2021 and $56 million in FY 2020, respectively, for benefits paid from plan assets prior to trusteeship.

2 PBGC determined it is highly unlikely that more than half of the total potential future Page/Collins settlement liability will be paid. Accordingly, PBGC estimates that PBGC's future Page/Collins settlement liability amount was $17 million at both September 30, 2021 and September 30, 2020.

3 The future benefits for probable terminations of $347 million and $429 million at September 30, 2021, and September 30, 2020, include $135 million and $103 million, respectively, for probable terminations for specifically identified, and $119 million and $99 million, respectively, for not specifically identified probables.

The following table details the assets that make up single-employer terminated plans pending termination and trusteeship:

ASSETS OF SINGLE-EMPLOYER PLANS PENDING TERMINATION AND TRUSTEESHIP, NET

	September 30, 2021		September 30, 2020	
(Dollars in millions)	**Basis**	**Market Value**	Basis	Market Value
U.S. Government securities	**$ -**	**$ -**	$ -	$ -
Corporate and other bonds	**2,201**	**2,201**	574	574
Equity securities	**1,566**	**1,566**	664	664
Private equity	**-**	**-**	-	-
Insurance contracts	**3**	**3**	-	-
Other	**(127)**	**(127)**	(1)	(1)
Total, net	**$3,643**	**$3,643**	$1,237	$1,237

NET CLAIMS FOR PROBABLE TERMINATIONS

Factors that at present are not fully determinable may be responsible for why these claim estimates differ from actual experience. Included in net claims for probable terminations is a provision for future benefit liabilities for plans not specifically identified. This reserve for small unidentified probable losses is recorded for the estimated future contingent losses stemming from insured single-employer plans with an aggregate underfunding of less than $50 million. The reserve is based on the historic three-year rolling average of actual plan terminations (with an aggregate underfunding of less than $50 million) and indexed to the S&P 500 to reflect changes in economic conditions. The September 30, 2021, Net Claims for Probable Terminations is $254 million, of which $135 million is from a specific identification process and $119 million is from the reserve for small unidentified probable losses.

The values recorded in the following reconciliation table have been adjusted to the expected dates of termination.

RECONCILIATION OF NET CLAIMS FOR PROBABLE TERMINATIONS

	September 30,			
(Dollars in millions)	**2021**		2020	
Net claims for probable terminations, at beginning of year		**$202**		$173
New claims	**135**		103	
Actual terminations	**(103)**		-	
Deleted probables	**-**		-	
Change in benefit liabilities	**20**		(74)	
Change in plan assets	**-**		-	
Loss (credit) on probables		**52**		29
Net claims for probable terminations, at end of year		**$254**		$202

The following table itemizes specifically identified single-employer probable exposure by industry:

PROBABLES EXPOSURE BY INDUSTRY (PRINCIPAL CATEGORIES)

(Dollars in millions)	**FY 2021**	FY 2020
Retail	**$ -**	$ -
Manufacturing	**135**	103
Forest Product	**-**	-
Total[1]	**$135**	$103

[1] Total excludes a small unidentified bulk reserve of $119 million and $99 million for September 30, 2021 and September 30, 2020, respectively.

For further detail regarding single-employer probables, see Note 2 under Present Value of Future Benefits (PVFB) subpoint (4) on pages 74-75.

The following table shows what has happened to plans classified as probable. This table does not include those plans that were classified as probable and then subsequently terminated within the same fiscal year.

ACTUAL PROBABLES EXPERIENCE

As Initially Recorded Beginning in 1987

(Dollars in millions)	Status of Probables from 1987-2020 at September 30, 2021			
Beginning in 1987, number of plans reported as Probable:	Number of Plans	Percent of Plans	Net Claim	Percent of Net Claim
Probables terminated	390	79%	$35,806	75%
Probables not yet terminated or deleted	-	0%	-	0%
Probables deleted	103	21%	12,032	25%
Total	493	100%	$47,838	100%

NOTE 7: MULTIEMPLOYER FINANCIAL ASSISTANCE

PBGC provides financial assistance to multiemployer defined benefit pension plans in the form of loans (generally unsecured). Since these loans are not generally repaid, an allowance is set up to the extent that repayment of these loans is not expected.

NOTES RECEIVABLE MULTIEMPLOYER TRADITIONAL FINANCIAL ASSISTANCE

(Dollars in millions)	**September 30, 2021**	September 30, 2020
Gross balance at beginning of year	**$2,344**	$2,079
Financial assistance payments	**221**	164
Financial assistance - premiums waived	**3**	2
Write-offs related to settlement agreements	**(2)**	0 *
Change in accrued interest on notes receivable	**68**	99
Subtotal	**2,634**	2,344
Allowance for uncollectible amounts	**(2,302)**	(2,344)
Net balance at end of year	**$332** [1]	$ -

* Less than $500,000

[1] This receivable balance of $332 million (financial assistance plus interest that is expected to be returned to PBGC) represents the reduction to the allowance for uncollectible amounts relating to the 23 insolvent plans that became eligible for Special Financial Assistance (SFA).

The Underwriting losses from financial assistance (insolvent plans) and probable financial assistance reflected in the Statements of Operations include period changes in the estimated present value of nonrecoverable future financial assistance. The financial expenses related to financial assistance are presented as actuarial charges, credits, and adjustments for plans that are known to be insolvent as of the valuation date and/or have begun or are about to begin receiving financial assistance. In addition, a change in the valuation of the liability due to new data received (e.g., new plan expenses, more recent valuation liabilities, and new withdrawal payment schedules) is included as financial assistance from insolvent and probable plans on the Statements of Operations. This valuation data change is a separate line item from actuarial adjustments and actuarial charges.

To determine the probable liability, ongoing plans are divided into segments based on the number of plan participants with different processes by plan size. The reserve for small ongoing plans (fewer than 2,500 participants) with probable losses not individually identified uses an aggregate method to estimate liability and exposure. Rather than reviewing each plan individually to identify probable losses, the reserve for small ongoing plans (fewer than 2,500 participants) uses an aggregate method to estimate liability and exposure based on the use of seven years of plan termination history to project the current probable liability. As of September 30, 2021, the reserve has been adjusted to reflect the Special Financial Assistance (SFA) Program enacted with the American Rescue Plan in March 2021.

For medium-sized plans (2,500 to 35,000 participants), risk-based rules are applied using a cash-flow model. For large plans (more than 35,000 participants), PBGC identifies ongoing high-risk plans and then calculates projected dates of insolvency for these plans to measure the probable liability.

On March 11, 2021, the American Rescue Plan (ARP) Act of 2021 was enacted into law. ARP established the Special Financial Assistance (SFA) Program for distressed multiemployer plans that meet specific criteria. The SFA Program is to be administered by PBGC and is funded by general U.S. Treasury monies, not by PBGC's multiemployer insurance fund.

The amount of SFA funding to which an eligible plan is entitled is the amount the plan requires to pay all benefits and expenses, net of plan resources (including plan assets, projected future contributions, and withdrawal liability collections), through the plan year ending in 2051. The SFA payment also includes reinstatement of benefits previously suspended due to implementation of benefit suspensions under the Multiemployer Pension Reform Act (MPRA).

PBGC must process all SFA applications within 120 days of receipt. Upon PBGC's approval of the plan's application, PBGC will pay the SFA funds to the plan in a single lump sum with no requirement for repayment. To accurately reflect the impact of SFA eligibility on PBGC's accrued and contingent liability, multiemployer plans expected to be eligible and eventually approved for SFA are not considered high risk and will be classified as remote.

The financial impact of the SFA Program is to reduce the category of ongoing plans to approximately a zero liability for individually identified high risk plans (the only exception being a small plan bulk reserve) on the Statements of Financial Position. This significantly reduces the liability for the multiemployer program, and as a result, 68 plans were removed from the Multiemployer insolvent and probable inventory.

Since the SFA funding to eligible plans will likely enable the plans to pay benefits for the next 30 years, the vast majority of the traditional financial assistance liability recognized in previous years, for ongoing probable plans, has been reversed (i.e., unbooked). The previous amount disclosed for reasonably possible plans has also been significantly decreased. These SFA eligible plans are no longer considered to be in the high-risk category as defined by either (1) projected insolvency over the next 20 years, (2) currently classified as critical and declining status, or (3) meeting the projected insolvency thresholds as defined in PBGC's procedures. Therefore, the end result is that these SFA eligible plans are classified as remote and not presented within PBGC's financial statements.

MPRA provides that certain plans may apply to the U.S. Department of the Treasury (Treasury) to suspend benefits, and provides for a participant vote on the benefit suspension. These plans also may apply to PBGC for financial assistance: either for a facilitated merger or a partition. Plans applying for a partition are also required to apply to Treasury for a suspension of benefits. These actions do not affect the determination of the nonrecoverable future financial assistance liability until approval has been granted and Treasury has issued the final authorization to suspend benefits. In the case of a benefit suspension application, the plan is no longer classified as probable once Treasury has issued the final authorization to suspend benefits. In the case of a partition application, the original plan is no longer classified as probable once PBGC has approved the application and Treasury has issued the final authorization to suspend benefits.

PBGC approved the merger of the Laborers International Union of North America 1000 Pension Fund (Local 1000 Plan) with the Laborers Local 235 Pension Fund (Local 235 Plan, collectively the Plans), PBGC's first facilitated merger under MPRA. Beginning FY 2020, PBGC is to provide three annual installments of $9 million to the merged plan. The Local 1000 Plan, which was in critical and declining status, had been projected to become insolvent in 2026. The merger enabled Local 1000 Plan participants to postpone or avoid certain benefit reductions, while not harming the Local 235 Plan. The financial assistance is expected to reduce PBGC's long-term loss with respect to these plans.

As of September 30, 2021, the Corporation expects that 134 individually identified multiemployer plans have exhausted or will exhaust plan assets and need financial assistance from PBGC to pay guaranteed benefits and plan administrative expenses. The present value of nonrecoverable future financial assistance for these 134 plans is $3,017 million (inclusive of the reserve for small ongoing plan losses not individually identified, and $9 million that resulted from the first facilitated merger of two multiemployer plans under MPRA. This newly merged plan is not included in the insolvent plan count noted in the table below). The 134 plans fall into three categories: (1) plans currently receiving financial assistance (whether terminated or not); (2) plans that have terminated but have not yet started receiving financial assistance from PBGC; and (3) ongoing plans (not terminated) that the Corporation expects will require financial assistance in the future. The latter two categories comprise multiemployer probables as defined by the following classification criteria:

- Probable insolvent plan-terminated future probables: Plans that have terminated but have not yet started receiving financial assistance may still have assets, but the combination of plan assets and collectible payments of withdrawal liability are projected to be insufficient to cover plan benefits plus expenses.
- Probable insolvent plan-ongoing future probables: Ongoing plans with a projected date of insolvency within 10 years. Small plans with fewer than 2,500 participants are excluded from the plan count for this category. The liability for small plans is based on an aggregate method to determine a small plan bulk reserve.

MULTIEMPLOYER TRADITIONAL FINANCIAL ASSISTANCE

	September 30, 2021		September 30, 2020	
(Dollars in millions)	**Number of Plans**	**Net Liability**	Number of Plans	Net Liability
Plans currently receiving financial assistance	**77** [1]	**$1,545** [2]	91	$2,994
Plans that have terminated but have not yet started receiving financial assistance (classified as probable)	**57** [3]	**1,301**	61	2,072
Ongoing plans (not terminated) that the Corporation expects will require financial assistance in the future (classified as probable)	**0** [4]	**171** [5]	40	61,799 [5]
Total	**134**	**$3,017**	192	$66,865

[1] A total of 31 plans were removed from inventory that were considered eligible for receiving Special Financial Assistance (SFA), that included eight newly added plans that were subsequently removed from inventory that were considered eligible to receive SFA, five plans were transferred from "Ongoing plans (not terminated)" (which were subsequently removed from inventory that were considered eligible to receive SFA) and four plans were transferred from "Plans that have terminated but have not yet started receiving financial assistance (classified as probable).

[2] Net liability for "Plans currently receiving financial assistance" includes $9 million that resulted from the facilitated merger of two multiemployer plans under MPRA. However, this newly merged plan is not included in the insolvent plan count noted in the table above.

[3] A total of four plans were removed from inventory that consists of two plans that were considered eligible to receive SFA (of which one was a new plan and was subsequently removed from inventory that was considered to receive SFA), one plan transferred from "Ongoing plans (not terminated)" (which was subsequently removed from inventory that was considered eligible to receive SFA), and one plan was removed due to a plan merger. Four plans were transferred to "Plans currently receiving financial assistance" and two new plans were added to inventory.

[4] A total of 34 plans were removed from inventory, of which 30 plans were considered eligible for receiving SFA, three plans were reclassed to remote, and one plan was reclassed to reasonably possible. Five plans were transferred to "Plans currently receiving financial assistance" and one plan was transferred to "Plans that have terminated but have not yet started receiving financial assistance (classified as probable)".

[5] "Ongoing plans" include a small unidentified probable bulk reserve of $171 million and $1,232 million for September 30, 2021, and September 30, 2020, respectively.

Of the 134 plans:

a) 77 have exhausted plan assets and are currently receiving financial assistance payments from PBGC. The present value of future financial assistance payments for these insolvent 77 plans is $1,545 million (see sub note 2 above).

b) 57 plans have terminated but have not yet started receiving financial assistance payments from PBGC. Terminated multiemployer plans no longer have employers making regular contributions for covered work, though some plans continue to receive withdrawal liability payments from withdrawn employers. In general, PBGC records a loss for future financial assistance for any underfunded multiemployer plan that has terminated. The present value of future financial assistance payments for these 57 terminated plans is $1,301 million.

c) There are no plans ongoing that the Corporation expects will require financial assistance in the future (classified as probable); ongoing plans include a small unidentified probable bulk reserve of $171 million.

PRESENT VALUE OF NONRECOVERABLE FUTURE FINANCIAL ASSISTANCE AND LOSSES FROM TRADITIONAL FINANCIAL ASSISTANCE

(Dollars in millions)	**September 30, 2021**	September 30, 2020
Balance at beginning of year	**$66,865**	$67,995
Changes in allowance:		
Losses (credits) from insolvent and probable plans - financial assistance[1]	**(63,736)**	(1,137)
Actuarial adjustments	**(143)**	(34)
Actuarial charges (credits) - Insolvent plans:		
Due to expected interest	**11**	68
Due to change in interest factors	**(46)**	146
Financial assistance granted (previously accrued)	**(220)**	(164)
Reversal of allowance for plans that became eligible for SFA[2]	**295**	-
Financial assistance granted through MPRA merger[3]	**(9)**	(9)
Balance at end of period	**$3,017**	$66,865

[1]This amount of $63,736 million consists of a $63,847 million credit from the net decrease in multiemployer insolvent and probable insolvent liability for the current fiscal year, and a $295 million credit from an expected recovery of Financial Assistance paid in current and prior fiscal years. This was offset by a current year charge of $229 million in financial assistance payments and net charges of $177 million to Actuarial adjustments.

[2]This amount represents the traditional financial assistance that will be returned to PBGC due to the reduction to the allowance for uncollectible amounts relating insolvent plans that became eligible for Special Financial Assistance (SFA).

[3]PBGC approved its first facilitated merger of two multiemployer plans under MPRA that resulted in an additional $9 million in financial assistance in FY 2021.

In the table above, actuarial charges are reported separately from "Losses (credits) from insolvent and probable plans-financial assistance." As a result, the table includes the following lines: Actuarial adjustments, Due to expected interest, and Due to change in interest factors. Insolvent plans are presented within these three actuarial charges (credits) lines. "Losses (credits) from insolvent and probable plans-financial assistance" include plans that terminated but have not yet received financial assistance, ongoing plans that PBGC expects will require financial assistance in the future, and those insolvent plans that have a change in liability due to new plan data included in the valuation. PBGC uses a curve of interest factors to determine the actuarial Multiemployer Nonrecoverable Future Financial Assistance. See Note 6 for the table of yield curves shown in spot rate format.

Pursuant to the ARP, PBGC will provide special financial assistance (SFA) in the form of a lump sum payment, which is intended to allow a plan to continue paying full benefits through 2051. Unlike the traditional financial assistance loans PBGC provides to multiemployer plans, SFA will be in the form of a transfer of funds with no obligation of repayment. The SFA liability will be recorded when the following conditions are met: (1) the initial application for SFA has been received by PBGC, (2) the multiemployer plan applicant has been determined to be eligible, (3) the application has been deemed to be complete, and (4) the application has been approved. The SFA liability will be presented as a separate line item on the Statements of Financial Position. The applicable portion of the existing multiemployer liability related to the PVNFFA has been reversed at fiscal year-end 2021 for the plans expected to be eligible for SFA.

Although the traditional financial assistance loans are not typically repaid, in order to receive the new Special Financial Assistance provided through ARP, eligible plans must repay their preexisting traditional financial assistance loans. Once collected into the PBGC revolving fund, these funds will not be available for obligation until subsequently apportioned.

NOTE 8: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table itemizes accounts payable and accrued expenses reported in the Statements of Financial Position:

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

(Dollars in millions)	**September 30, 2021**	September 30, 2020
Annual leave	**$14**	$13
Other payables and accrued expenses	**78**	77
Accounts payable and accrued expenses	**$92**	$90

NOTE 9: REASONABLY POSSIBLE CONTINGENCIES

SINGLE-EMPLOYER PLANS

Single-employer plans sponsored by companies whose credit quality is below investment grade pose a greater risk of being terminated than plans sponsored by companies with investment grade ratings. The estimated unfunded vested benefits exposure amounts disclosed represent PBGC's estimates of the reasonably possible exposure to loss given the inherent uncertainties about these plans.

In accordance with the FASB Accounting Standards Codification Section 450, *Contingencies*, PBGC classified a number of these companies that sponsor plans with total unfunded vested benefits of $50 million or more as reasonably possible rather than probable terminations, reflecting the sponsors' financial condition and other factors that did not indicate termination of their plans was likely. This classification was based upon information available about the companies as of September 30, 2021. PBGC's criteria for a single-employer plan sponsor to be classified as reasonably possible include one or more of the following:

a. The sponsor(s) or significant member(s) of its controlled group (e.g., a parent or major subsidiary) is in reorganization under Title 11 of the United States Code.

b. An application for a funding waiver is pending or outstanding with the IRS.

c. A minimum funding contribution has been missed.

d. The sponsor(s) or parent company has an S&P senior unsecured credit rating or an issuer credit rating of BB+ or below, or a Moody's senior unsecured credit rating, issuer credit rating, or corporate family rating of Ba1 or below. If the sponsor(s) or parent company does not have one of the ratings above, PBGC may use an industry specific rating such as an insurance financial strength rating, general obligation bond rating, or revenue bond rating.

e. The sponsor(s) or parent company has no bond rating, but has a Dun & Bradstreet Failure Score (formerly Financial Stress Score) of below 1477.

f. The sponsor(s) or parent company has no bond rating, but analysis indicates that its unsecured debt would be below investment grade.

g. Other (detailed explanation must be provided and be approved by PBGC's Contingency Working Group).

A reserve for the small unidentified reasonably possible exposure (companies that sponsor plans with less than $50 million in unfunded vested benefits) is calculated using an aggregate method to estimate exposure, rather than reviewing each company individually.

The estimate of the reasonably possible exposure to loss for the single-employer plans of these companies was determined using a measurement date of December 31, 2020. The reasonably possible exposure to loss was $105,381 million for FY 2021. This is a decrease of $70,809 million from the reasonably possible exposure of $176,190 million in FY 2020. This decrease is primarily due to very positive investment results on plan assets during calendar 2020 and the decline in the number of companies with lower than investment grade bond ratings and/or credit scores that therefore are classified as reasonably possible.

The estimate of unfunded vested benefit exposure to loss is not generally based on PBGC-guaranteed benefit levels, since data is not available to determine an estimate at this level of precision. PBGC calculated this estimate, as in previous years, by using the most recent data available from filings and submissions to the Corporation for plan years ended on or after December 31, 2019.

The present value of vested benefits, and resulting estimate of unfunded vested benefit exposure to loss, are based on a measurement date of December 31, 2020. For the December 31, 2020 measurement, PBGC changed the mortality assumption and the methodology for determining the yield curve of spot rates utilized to discount the reasonably possible exposure as compared to prior years. See Note 6 for additional details.

The table below shows a comparison of the December 31, 2020 and December 31, 2019 spot rate yield curves. Future payments are discounted by the single rate applicable for the period (year) in which the payment is expected to be made. For the December 31, 2020 measurement of reasonably possible exposure, the spot rate yield curve starts with an interest factor of 0.91% in year 1 and changes as the future period for discounting increases until year 31 when the factor becomes 2.08% and is assumed to remain level thereafter. For the December 31, 2019 measurement of reasonably possible exposure, the spot rate yield curve started with an interest factor of 2.18% in year 1 and the interest factor for year 31 and beyond was 2.26%.

CURVE OF SPOT RATES FOR DECEMBER 31, 2020 AND DECEMBER 31, 2019 MEASUREMENT OF SINGLE-EMPLOYER REASONABLY POSSIBLE EXPOSURE

Period (in Years)	12/31/2020	12/31/2019	Change		Period (in Years)	12/31/2020	12/31/2019	Change
1	0.91%	2.18%	-1.27%		16	2.14%	2.42%	-0.28%
2	0.93%	2.12%	-1.19%		17	2.14%	2.43%	-0.29%
3	1.10%	2.15%	-1.05%		18	2.15%	2.43%	-0.28%
4	1.30%	2.20%	-0.90%		19	2.15%	2.45%	-0.30%
5	1.48%	2.24%	-0.76%		20	2.15%	2.47%	-0.32%
6	1.64%	2.30%	-0.66%		21	2.15%	2.46%	-0.31%
7	1.77%	2.34%	-0.57%		22	2.14%	2.44%	-0.30%
8	1.87%	2.37%	-0.50%		23	2.14%	2.41%	-0.27%
9	1.94%	2.39%	-0.45%		24	2.13%	2.38%	-0.25%
10	2.00%	2.40%	-0.40%		25	2.12%	2.35%	-0.23%
11	2.04%	2.41%	-0.37%		26	2.11%	2.32%	-0.21%
12	2.07%	2.41%	-0.34%		27	2.10%	2.29%	-0.19%
13	2.10%	2.41%	-0.31%		28	2.09%	2.27%	-0.18%
14	2.11%	2.42%	-0.31%		29	2.08%	2.26%	-0.18%
15	2.13%	2.42%	-0.29%		30	2.08%	2.26%	-0.18%
					Longer Periods	2.08%	2.26%	-0.18%

For the December 31, 2020 measurement of reasonably possible exposure, PBGC used the Pri-2012 mortality table blended based on the Employee and Non-Disabled Annuitant mortality rates in accordance with 26 CFR § IRC 1.430(h)(3)-1(b)(2)) and projected generationally with improvement scale MP-2020. This is consistent with the mortality table PBGC used to develop the yield curve of spot rates utilized to discount the reasonably possible exposure. In FY 2020, PBGC estimated the reasonably possible exposure as of December 31, 2019 using the RP-2014 Healthy Male and Healthy Female mortality tables projected generationally using the MP-2019 male and female projection scales, respectively which was consistent with the mortality table PBGC used to develop the yield curve of spot rates utilized to discount the reasonably possible exposure as of December 31, 2019.

The expense load defined in 29 CFR Part 4044, Appendix C was estimated and applied to the present value of vested benefits.

The interest factors used for the reasonably possible exposure are derived at a different point in time than the interest factors used for PBGC's Present Value of Future Benefits for trusteed plans recorded on the balance sheet and detailed in Note 6. Due to the amount of time required to develop the reasonably possible exposure, it is determined using a measurement date as of the prior December 31, rather than as of the fiscal year-end.

The underfunding associated with these plans could be substantially different at September 30, 2021, because of changes in economic conditions between December 31, 2020, and September 30, 2021. PBGC did not adjust the estimate for events that occurred between December 31, 2020, and September 30, 2021.

The following table itemizes the single-employer reasonably possible exposure by industry to loss:

REASONABLY POSSIBLE EXPOSURE TO LOSS BY INDUSTRY (PRINCIPAL CATEGORIES)

(Dollars in millions)	**FY 2021**	FY 2020
Manufacturing	**$26,300**	$61,568
Transportation, Communication and Utilities	**37,248**	43,345
Services	**24,976**	36,949
Wholesale and Retail Trade	**4,222**	10,975
Health Care	**6,337**	10,120
Finance, Insurance, and Real Estate	**1,792**	6,435
Agriculture, Mining, and Construction	**4,506**	6,798
Total	**$105,381**	$176,190

MULTIEMPLOYER PLANS

Multiemployer plans that have become insolvent will require financial assistance. PBGC included amounts in the liability for the present value of nonrecoverable future financial assistance (see Note 7) for multiemployer plans that have become insolvent and for plans that PBGC estimated may require future financial assistance.

In addition, PBGC estimated as of September 30, 2021, that it is reasonably possible that other multiemployer plans may require future financial assistance in the amount of $329 million, a $8,983 million decrease from the $9,312 million in FY 2020. The primary reason for the decrease in exposure was due to the net effect of removing thirteen plans that are no longer classified as reasonably possible ($6,552 million decrease) while only two new plans are classified as reasonably possible ($147 million increase). Another driver of the decrease was the decline in the reasonably possible small plan bulk reserve due to adjustments made to account for the new SFA Program. Additionally, adjustments made to valuation assumptions had a net effect that reduced the reasonably possible exposure ($148 million decrease). Reasonably possible multiemployer classification is defined as an ongoing plan with a projected insolvency date between 10 and 20 years from the valuation date.

PBGC calculated the future financial assistance liability for each multiemployer plan identified as probable (see Note 7) or reasonably possible. PBGC used a formula to calculate the present value of guaranteed future benefits and expense payments, net of any future contributions or withdrawal liability payments. These amounts were as of the later of September 30, 2021, or the projected (or actual, if known) date of plan insolvency, discounted back to September 30, 2021. PBGC's identification of plans that are likely to require such assistance and estimation of related amounts required consideration of many complex factors, including estimating future cash flows, future investment returns, future mortality rates, and age of participants not in pay status. These factors are affected by future events, including actions by plans and their sponsors, most of which are beyond PBGC's control.

To determine the probable liability and reasonably possible exposure, ongoing plans are divided into segments based on the number of plan participants with different processes by plan size (see Note 7). The reserve for small unidentified probable losses (fewer than 2,500 participants) uses an aggregate method to estimate liability and exposure, rather than reviewing each plan individually, based on the use of seven years of plan termination history to project the current probable liability. As of September 30, 2021, the reserve has been adjusted to reflect the Special Financial Assistance Program enacted with the American Rescue Plan in March, 2021.

The reasonably possible exposure for small plans is derived by subtracting the probable liability for small plans from the total exposure for high-risk small plans. For medium-sized plans (2,500 to 35,000 participants), risk-based rules are applied using a cash-flow model. For large plans (more than 35,000 participants), PBGC identifies ongoing high-risk plans and then calculates projected dates of insolvency for these plans to measure the reasonably possible exposure.

NOTE 10: COMMITMENTS

PBGC's lease commitments for its office and field benefit administrators' facilities total $338.8 million in future years. These leases provide for periodic rate increases based on increases in operating costs and real estate taxes over the base amount. In FY 2022, PBGC will relocate to its new headquarters under a new 15 year leasing agreement (includes rent-free period for the first nine months). The minimum future lease payments for PBGC facilities having non-cancellable terms in excess of one year as of September 30, 2021, are:

COMMITMENTS: FUTURE LEASE PAYMENTS

(Dollars in millions)	
Years Ending September 30,	Operating Leases
2022	$ 15.6
2023	21.5
2024	22.6
2025	22.6
2026	22.6
Thereafter	233.9
Minimum lease payments	$ 338.8

In addition to the committed minimum operating lease payments of $338.8 million as noted in the table above, PBGC has estimated future uncommitted operating leases of $3.3 million.

Lease expenses were $15.7 million in FY 2021 and $15.9 million in FY 2020.

NOTE 11: PREMIUMS

For both the Single-Employer and Multiemployer Programs, ERISA provides that PBGC continues to guarantee basic benefits despite the failure of a plan administrator to pay premiums when due. PBGC assesses interest and penalties on the late or unpaid portion of premiums. Interest continues to accrue until the premium and the interest due are paid. See Note 2, Premiums for PBGC's premium revenue accounting policy. For plan years beginning in 2021, the per-participant flat rate premium was $86 for single-employer pension plans and $31 for multiemployer plans. For plan years 2020 and 2019, the per-participant flat rate premiums for single-employer pension plans were $83 and $80, respectively, and for multiemployer plans, $30 and $29, respectively.

Single-employer plans also owe a variable rate premium (VRP) tied to the amount of underfunding, if any. For plan years beginning in 2021, the VRP rate was $46 per $1,000 of unfunded vested benefits (UVB) subject to an overall cap of $582 per participant. For plan years 2020 and 2019, the VRP rates were $45 and $43, respectively. Applicable caps for those plan years are shown in the table below.

The termination premium applies to certain plan terminations occurring after 2005. If a single-employer pension plan terminates in a distress termination pursuant to ERISA section 4041(c)(2)(B)(ii) or (iii), or in a PBGC-initiated termination under ERISA section 4042, the plan sponsor and its controlled group are liable to PBGC for a termination premium at the rate of $1,250 per plan participant per year for three years.

The $4,842 million in net premium income for FY 2021 consisted of $2,628 million in variable rate premiums, $2,164 million in flat rate premiums, $26 million in termination premiums, a credit of $22 million to bad debt expense, and $2 million in interest and penalty income. Bad debt expenses include a reserve for uncollectible premium receivables (including flat, variable, termination premiums, and insolvent multiemployer plans), interest, and penalties.

Net premium income for FY 2021 was $4,842 million, a year over year decrease of $1,143 million due primarily to 1) improved conditions of plans' underfunding (i.e., lower Unfunded Vested Benefits); 2) amended filings pursuant to PBGC Technical Update 20-2 resulting in lower variable rate premiums; 3) premium adjustments and rate changes for several Cooperative and Small-Employer Charity (CSEC) plans (see below for more information); offset by 4) increased premium rates for both flat and variable rate premiums. The SECURE Act of 2019 (enacted December 20, 2019) significantly lowered premium rates for several Cooperative and Small-Employer Charity (CSEC) plans (i.e., pre-Pension Protection Act of 2006 premium rates). Since the Premium and Practitioner System (PPS) was not updated to reflect these lower premium rates for 2019 and 2020 plan years, fiscal year-to-date revenue data for CSEC plans was reviewed and adjusted based on the lower premium rates and plan information provided in CSEC plan premium filings. The adjustments resulted in lower variable rate premiums of $11 million in premium adjustments for several (CSEC) plans in the first, second, third and fourth quarters of FY 2021, pursuant to the SECURE Act of 2019 (enacted December 20, 2019).

Net premium income for FY 2020 was $5,985 million and consisted of $3,770 million in variable rate premiums, $2,198 million in flat rate premiums, $12 million in termination premiums, a credit of $3 million to bad debt expense, and $2 million in interest and penalty income. Bad debt expenses include a reserve for uncollectible premium receivables (including flat, variable, termination premiums, and insolvent multiemployer plans), interest, and penalties.

The following table shows the premium rates for 2019 through 2021:

PREMIUM RATES FOR SINGLE-EMPLOYER AND MULTIEMPLOYER PLANS

	Single-Employer Plans			Multiemployer Plans
	Flat Rate Premium	Variable Rate Premium		
Plan Years Beginning in	Rate Per Participant	Rate per $1,000 Unfunded Vested Benefits	Per Participant Cap	Flat Rate Premium Rate Per Participant
2021	$86	$46	$582	$31
2020	$83	$45	$561	$30
2019	$80	$43	$541	$29

Premium income is accrued for months in which a plan year overlaps the fiscal year. Because of this rule, premiums for 2019, 2020, and 2021 plan years are accrued in FY 2021, and premium rates change each calendar year, so three sets of premium rates were used to calculate FY 2021 premium revenue.

For example, consider a plan with a September 1, 2020 to August 31, 2021 plan year. Only the first month of that plan year occurs during FY 2020, so 1/12 of the plan's premium was accrued in FY 2020 and 11/12 accrued in FY 2021. Similarly, for a plan with a December 1, 2019 to November 30, 2020 plan year, the last two months of that plan year occur during FY 2021, so 2/12 of the plan's premium income was accrued in FY 2021 and 10/12 was accrued in FY 2020.

The following table presents a year-to-year comparison of key premium receivable information.

Net Premiums Receivable

(Dollars in millions)	Single-Employer Sept. 30, 2021	Single-Employer Sept. 30, 2020	Multiemployer Sept. 30, 2021	Multiemployer Sept. 30, 2020	Memorandum Total Sept. 30, 2021	Memorandum Total Sept. 30, 2020
Premiums Not Yet Due:						
Estimated Flat-Rate Premiums	**$1,048**	$1,090	**$170**	$186	**$1,218**	$1,276
Estimated Variable-Rate Premiums	**1,608**	2,102	**-**	-	**1,608**	2,102
Total Net Premiums Not Yet Due	**2,656**	3,192	**170**	186	**2,826**	3,378
Premiums Past Due:						
Flat-Rate Premiums	**140**	157	**27**	6	**167**	163
Allowance for Bad Debt-Flat-Rate	**(1)**	(1)	**0 ***	0 *	**(1)**	(1)
Variable-Rate Premiums	**131**	248	**-**	-	**131**	248
Allowance for Bad Debt-Variable-Rate	**(1)**	(3)	**-**	-	**(1)**	(3)
Total Net Premiums Past Due	**269**	401	**27**	6	**296**	407
Termination Premiums:[1]						
Termination Premiums	**329**	304	**-**	-	**329**	304
Allowance for Bad Debt-Termination	**(267)**	(292)	**-**	-	**(267)**	(292)
	62	12	**-**	-	**62**	12
Interest and Penalty:						
Interest and Penalty Due	**2**	1	**1**	1	**3**	2
Allowance for Bad Debt-Int/Penalty	**(1)**	0 *	**0 ***	(1)	**(1)**	(1)
Total Net Interest and Penalty Due	**1**	1	**1**	0 *	**2**	1
Grand Total Net Premiums Receivable	**$2,988**	$3,606	**$198**	$192	**$3,186**	$3,798

* Less than $500,000

[1] All termination premiums are due from plan sponsors that are either in distress or under Chapter 11 reorganization. In these cases, PBGC files claims in accordance with bankruptcy law along with all other creditors and is entitled only to a pro-rata share of any remaining assets. Depending on the circumstances of the bankruptcy proceedings, it can be years before PBGC receives its pro-rata distribution from the bankruptcy estate. In most cases, PBGC ultimately receive either nothing or only a very small fraction of its total claims filed.

The following tables present a year-to-year comparison of key premium income information.

PREMIUM INCOME BY PREMIUM TYPE

(Dollars in millions)	**September 30, 2021**	September 30, 2020
Flat-Rate Premium:		
Single-Employer	**$1,829**	$1,874
Multiemployer	**335**	324
Total Flat-Rate Premium	**2,164**	2,198
Variable-Rate Premiums	**2,628**	3,770
Interest and Penalty Income	**2**	2
Termination Premium	**26**	12
Less Bad Debts for Premiums, Interest, and Penalties	**22**	3
Total Net Premiums	**$4,842**	$5,985

* Less than $500,000

PREMIUM INCOME BY PROGRAM

(Dollars in millions)	**September 30, 2021**	September 30, 2020
Single-Employer:		
Flat-Rate and Variable-Rate Premiums	**$4,457**	$5,644
Interest and Penalty Income	**2**	1
Termination Premiums	**26**	12
Less Bad Debts for Premiums, Interest, and Penalties	**26**	6
Total Single-Employer	**4,511**	5,663
Multiemployer:		
Flat-Rate Premiums	**335**	324
Interest and Penalty Income	**0 ***	1
Less Bad Debts for Premiums, Interest, and Penalties	**(4)**	(3)
Total Multiemployer	**331**	322
Total Net Premiums	**$4,842**	$5,985

* Less than $500,000

NOTE 12: LOSSES (CREDITS) FROM COMPLETED AND PROBABLE TERMINATIONS

Amounts reported as losses are the present value of future benefits less related plan assets and the present value of expected recoveries from sponsors. The following table details the components that make up the losses:

LOSSES (CREDITS) FROM COMPLETED AND PROBABLE TERMINATIONS – SINGLE-EMPLOYER PROGRAM

	For the Years Ended September 30,					
	2021			2020		
(Dollars in millions)	**New Terminations**	**Changes in Prior Years' Terminations[5]**	**Total**	New Terminations	Changes in Prior Years' Terminations[5]	Total
Present value of future benefits	**$5,752**	**$41**	**$5,793**	$5,500	($105)	$5,395
Less plan assets	**4,513**	**297**	**4,810**	3,423	85	3,508
Plan asset insufficiency	**1,239[1]**	**(256)**	**983**	2,077	(190)	1,887
Less estimated recoveries	**-**	**13**	**13**	-	(10)	(10)
Subtotal	**1,239[2]**	**(269)**	**970**	2,077[2]	(180)	1,897
Settlements and judgments		**0*[6]**	**0*[6]**		0*[6]	0*[6]
Loss (credit) on probables	**32[3]**	**20[4]**	**52**	103[3]	(74)[4]	29
Total	**$1,271**	**($249)**	**$1,022**	$2,180	($254)	$1,926

* Less than $500,000

[1] Includes Missing Participant activity; if excluded the Present value of future benefits for New Terminations would be $5,555 million, Plan assets $4,316 million and Plan asset insufficiency $1,239 million.

[2] Net claim for plans terminated during the fiscal year (42 plans at September 30, 2021 and 67 plans at September 30, 2020), including plans previously recorded as probables which have since terminated.

[3] Includes net claims for plans that are currently classified as probable, plans that were previously recorded as probable that have since terminated and plans that were deleted.

[4] Changes to the single-employer small plan unidentified probables bulk reserve.

[5] Changes in prior years' terminations result from revaluations of DOPT assets (e.g., as identified in the plan asset reconciliation process), changes in plan recoveries at DOPT (e.g., from an estimated recovery amount to an expected recovery amount), and changes in DOPT PVFB (e.g., new liability data) for plans with termination dates prior to the current fiscal year in which they were added to PBGC's inventory of terminated plans.

[6] PBGC determined that it is highly unlikely more than half of the total potential future Page/Collins settlement liability will be paid. Accordingly, PBGC estimates that PBGC's future Page/Collins settlement liability is $17 million for both September 30, 2021 and September 30, 2020, respectively.

NOTE 13: FINANCIAL INCOME

The following table details the Memorandum Total financial income by type of investment for both the Single-Employer and Multiemployer Programs:

INVESTMENT INCOME SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS

(Dollars in millions)	**Single-Employer Program Sept. 30, 2021**	**Multiemployer Program Sept. 30, 2021**	**Memorandum Total Sept. 30, 2021**	Single-Employer Program Sept. 30, 2020	Multiemployer Program Sept. 30, 2020	Memorandum Total Sept. 30, 2020
Fixed maturity securities:						
Interest earned	**$2,413**	**$30**	**$2,443**	$2,633	$37	$2,670
Realized gain (loss)	**(863)**	**12**	**(851)**	6,372	32	6,404
Unrealized gain (loss)	**(5,440)**	**(89)**	**(5,529)**	1,502	111	1,613
Total fixed maturity securities	**(3,890)**	**(47)**	**(3,937)**	10,507	180	10,687
Equity securities:						
Dividends earned	**102**	**-**	**102**	54	-	54
Realized gain (loss)	**6,788**	**-**	**6,788**	1,749	-	1,749
Unrealized gain (loss)	**(61)**	**-**	**(61)**	284	-	284
Total equity securities	**6,829**	**-**	**6,829**	2,087	-	2,087
Private equity:						
Distributions earned	**2**	**-**	**2**	2	-	2
Realized gain (loss)	**120**	**-**	**120**	74	-	74
Unrealized gain (loss)	**26**	**-**	**26**	(93)	-	(93)
Total private equity	**148**	**-**	**148**	(17)	-	(17)
Real estate:						
Distributions earned	**53**	**-**	**53**	43	-	43
Realized gain (loss)	**592**	**-**	**592**	218	-	218
Unrealized gain (loss)	**228**	**-**	**228**	(379)	-	(379)
Total real estate	**873**	**-**	**873**	(118)	-	(118)
Other income:						
Distributions earned	**0 ***	**-**	**0 ***	3	-	3
Realized gain (loss)	**7**	**-**	**7**	8	-	8
Unrealized gain (loss)	**91**	**-**	**91**	0 *	-	0
Total other income	**98**	**-**	**98**	11	-	11
Total investment income	**$4,058**	**($47)**	**$4,011**	$12,470	$180	$12,650

*Less than $500,000

NOTE 14: EMPLOYEE BENEFIT PLANS

All of PBGC's permanent full-time and part-time employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Full-time and part-time employees with less than five years of service under CSRS and hired after December 31, 1983, are automatically covered by both Social Security and FERS. Employees hired before January 1, 1984, participate in CSRS unless they elected and qualified to transfer to FERS. Employees hired during the 2013 calendar year or rehired with less than five years of civilian service that is potentially creditable under FERS participate in FERS-Revised Annuity Employees (FERS-RAE). These employees are still generally considered part of the same pension system but are uniquely identified in human resources and payroll systems to annotate their higher contribution rate. Additionally, under the Bipartisan Budget Act of 2013, a new category of FERS employees was created: FERS-Further Revised Annuity Employees or FERS-FRAE. This pension system is again generally the same, only the contribution rate is changed. As with FERS-RAE employees, human resources and payroll systems use unique identifiers to annotate this higher contribution rate.

Total retirement plan expenses amounted to $32 million in FY 2021 and $30 million in FY 2020. These financial statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to PBGC's employees. These amounts are reported by the U.S. Office of Personnel Management (OPM) and are not allocated to the individual employers. OPM accounts for federal health and life insurance programs for those eligible retired PBGC employees who had selected federal government-sponsored plans. PBGC does not offer other supplemental health and life insurance benefits to its employees.

NOTE 15: CASH FLOWS

The following table consists of detailed cash flows from the sales and purchases of investments. Sales and purchases of investments are driven by the magnitude and investment composition of newly trusteed plans, the unique investment strategies implemented by PBGC's investment managers, and the varying capital market conditions in which they invest during the year. These cash flow numbers can vary significantly from year to year based on the fluctuation in these three variables.

INVESTING ACTIVITIES (SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS MEMORANDUM TOTAL)

	September 30,	
(Dollars in millions)	**2021**	2020
Proceeds from sales of investments:		
Fixed maturity securities	**$167,434**	$159,258
Equity securities	**19,592**	13,217
Other/uncategorized	**10,487**	8,261
Memorandum total	**$197,513**	$180,736
Payments for purchases of investments:		
Fixed maturity securities	**($173,958)**	($166,585)
Equity securities	**(14,349)**	(9,688)
Other/uncategorized	**(8,419)**	(6,939)
Memorandum total	**($196,726)**	($183,212)

The following is a reconciliation between the net income as reported in the Statements of Operations and net cash provided by operating activities as reported in the Statements of Cash Flows.

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Single-Employer Program		Multiemployer Program		Memorandum Total	
	September 30,		September 30,		September 30,	
(Dollars in millions)	**2021**	2020	**2021**	2020	**2021**	2020
Net income (loss)	**$15,459**	$6,822	**$64,227**	$1,417	**$79,686**	$8,239
Adjustments to reconcile net income to net cash provided by operating activities:						
Net (appreciation) decline in fair value of investments	**(1,177)**	(9,777)	**73**	(112)	**(1,104)**	(9,889)
Net (gain) loss of plans pending termination and trusteeship	**(285)**	19	**-**	-	**(285)**	19
Losses (credits) on completed and probable terminations	**1,022**	1,926	**-**	-	**1,022**	1,926
Actuarial charges (credits)	**(8,460)**	8,875	**-**	-	**(8,460)**	8,875
Benefit payments - trusteed plans	**(6,301)**	(6,069)	**-**	-	**(6,301)**	(6,069)
Settlements and judgments	**0**	0	**-**	-	**0**	0
Cash received from plans upon trusteeship	**65**	(23)	**-**	-	**65**	(23)
Receipts from sponsors/non-sponsors	**35**	131	**-**	-	**35**	131
Receipts for missing participants and other	**200**	82	**-**	-	**200**	82
EL/DUEC Trusteeship interest (non-cash)	**(18)**	(26)	**-**	-	**(18)**	(26)
Cash receipts timing from Trust to Revolving	**-**	-	**-**	-	**-**	-
Amortization of discounts/premiums	**286**	217	**2**	14	**288**	231
Amortization and Depreciation expense	**7**	8	**-**	-	**7**	8
Bad debt expense/Write-offs (net)	**8**	16	**-**	-	**8**	16
Changes in assets and liabilities, net of effects of trusteed and pending plans:						
(Increase) decrease in receivables	**595**	954	**(337)**	(5)	**258**	949
Increase in present value of nonrecoverable future financial assistance	**-**	-	**(63,848)**	(1,130)	**(63,848)**	(1,130)
Increase (decrease) in unearned premiums	**58**	5	**7**	(1)	**65**	4
Increase (decrease) in accounts payable	**23**	1	**(21)**	-	**2**	1
Net cash provided (used) by operating activities	**$1,517**	$3,161	**$103**	$183	**$1,620**	$3,344

NOTE 16: OTHER ASSETS

The following tables display the details of Property and Equipment (Capitalized assets, net). The "Capitalized assets, net" line item on the Statements of Financial Position consists of the following components.

PROPERTY AND EQUIPMENT, NET

FY 2021	September 30, 2021 Single-Employer			September 30, 2021 Multiemployer			September 30, 2021 Memorandum Total		
(Dollars in millions)	Cost	Accumulated Depreciation/ Amortization	Net	Cost	Accumulated Depreciation/ Amortization	Net	Cost	Accumulated Depreciation/ Amortization	Net
Furniture and Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Mechanical Equipment	-	-	-	-	-	-	-	-	-
ADP Equipment	9	(7)	2	0 *	0 *	0 *	9	(7)	2
Internal Use Software - In Development	11	n/a	11	0 *	n/a	0 *	11	n/a	11
Internal Use Software	158	(135)	23	3	(2)	1	161	(137)	24
Total	$178	($142)	$36	$3	($2)	$1	$181	($144)	$37

FY 2020	September 30, 2020 Single-Employer			September 30, 2020 Multiemployer			September 30, 2020 Memorandum Total		
(Dollars in millions)	Cost	Accumulated Depreciation/ Amortization	Net	Cost	Accumulated Depreciation/ Amortization	Net	Cost	Accumulated Depreciation/ Amortization	Net
Furniture and Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Mechanical Equipment	-	-	-	-	-	-	-	-	-
ADP Equipment	9	(7)	2	1	0	1	10	(7)	3
Internal Use Software - In Development	4	n/a	4	0 *	n/a	0 *	4	n/a	4
Internal Use Software	136	(123)	13	8	(8)	0 *	144	(131)	13
Total	$149	($130)	$19	$9	($8)	$1	$158	($138)	$20

* Less than $500,000

Combined depreciation and amortization expense was $8 million for both FY 2021 and FY 2020. The Memorandum Total for "Capitalized assets, net" on the Statements of Financial Position consist of the components above.

COMBINED (MEMORANDUM TOTAL) PROPERTY AND EQUIPMENT, NET

(Dollars in millions)	September 30, **2021**		2020	
Combined property and equipment, net at beginning of year		**$20**		$19
Capitalized Acquisitions	**28**		11	
Dispositions	**(5)**		(2)	
Depreciation/Amortization	**(6)**		(8)	
Net change of property and equipment		**17**		1
Combined property and equipment, net at end of year		**$37**		$20

The following table displays the detail of Receivables, net from sponsors of terminated plans that represents the amounts due from the plan sponsor and its controlled group for the statutory minimum funding contributions owed to the plan, Due and Unpaid Employer Contributions (DUEC), and unfunded benefit liabilities of the plan, Employer Liability (EL). These notes and other receivables for DUEC and EL result from the execution of an approved settlement agreement with the plan sponsors and controlled group, final court order resolving PBGC claims, a confirmed plan of reorganization that sets forth the treatment of PBGC claims, or other circumstances in which significant uncertainties regarding the value of PBGC claims have been removed.

The effective interest rate varies with each settlement agreement. The interest rate for discounting the future payments to the settlement date is a risk-adjusted rate.

RECEIVABLES FROM SPONSORS OF TERMINATED PLANS

(Dollars in millions)	**Sept. 30 2021**	**Sept. 30 2020**
EL Receivables	**$40**	**$23**
DUEC Receivables	**4**	**3**
Total	**$44**	**$26**

Other Receivables

Other receivables of $339 million consists primarily of $295 million of previously paid financial assistance and $37 million of interest that is expected to be repaid from SFA eligible plans.

NOTE 17: LITIGATION

Legal challenges to PBGC's policies and positions continued in FY 2021. At the end of the fiscal year, PBGC had 16 active cases in state and federal courts and 137 bankruptcy and state receivership cases.

PBGC records as a liability on its financial statements an estimated cost for unresolved litigation to the extent that losses in such cases are probable and estimable in amount. PBGC cannot state with certainty the losses it could incur in the event it does not prevail in these matters.

NOTE 18: MULTIEMPLOYER SPECIAL FINANCIAL ASSISTANCE (SFA) CONTRIBUTED TRANSFER APPROPRIATION

On March 11, 2021, under the American Rescue Plan Act (ARP), PBGC received a permanent indefinite appropriation and receives annual transfers from the U.S. Treasury's General Fund to be applied for Special Financial Assistance (SFA) and SFA administration costs. The funds transferred to PBGC in the SFA appropriation are deemed a contribution from the U.S. Government to PBGC. As there are conditions that must be met before PBGC can utilize these funds, the funds are initially recorded as Contributed Transfer Appropriation (equity). Revenue is recognized from the SFA appropriations when all conditions and restrictions placed on the appropriated SFA funds are met. At that time, the contribution is classified as Contributed Transfer Appropriation Income. The separate payment of SFA from PBGC to a multiemployer plan is not viewed as a PBGC contribution to the multiemployer plan, but as special financial assistance payment consistent with requirements of ARP and related PBGC regulations.

The following table shows a summary of the appropriation's pass-through transfers received and the use of the funds as shown in the Contributed Transfer Appropriation account.

MULTIEMPLOYER CONTRIBUTED TRANSFER APPROPRIATION

(Dollars in millions)	**September 30, 2021**	September 30, 2020
Balance at beginning of year	**$ -**	**$ n/a**
Special financial assistance (SFA) - transfers received	**-**	**n/a**
Special financial assistance approved	**-**	**n/a**
SFA adminisrative expense - transfers received	**12**	**n/a**
SFA administrative expense	**(1)**	**n/a**
SFA unused funds returned to U.S.Treasury	**(8)**	**n/a**
Balance at end of period	**$3**	**n/a**

If there are any unused SFA funds at fiscal year-end, these amounts will be returned to the U.S. Treasury's General Fund.

NOTE 19: SUBSEQUENT EVENTS

PBGC evaluated subsequent events through publication on November 15, 2021, the date the financial statements were available to be issued. Events or transactions for either the Single-Employer or Multiemployer Program, occurring after September 30, 2021, and before the financial statements were available to be issued, that provided additional evidence about conditions that existed at September 30, 2021, have been recognized in the financial statements.

For the fiscal year ended September 30, 2021, there was a non-recognized subsequent event to report for both the Single-Employer and Multiemployer Programs that provided additional evidence about conditions that did not exist on September 30, 2021, and which arose before the financial statements were available to be issued. If this event had occurred on or prior to September 30, 2021, the net position for the Single-Employer Program would have been decreased by $341 million, and the Multiemployer Program would have been decreased by $16 million. This is described in the paragraph below.

On October 20, 2021, the Society of Actuaries (SOA) released Mortality Improvement Scale MP-2021, the annual update to the SOA's mortality improvement scales. These improvement scales are widely used by actuaries to project improvements in mortality rates into the future. The updated version of the improvement scales reflect historical U.S. population mortality experience through 2019, with no adjustments for the pandemic due to the uncertainty about the long-term effects of COVID-19 on mortality rates. To determine the Present Value of Future Benefits and the Present Value of Nonrecoverable Future Financial Assistance for the Fiscal Year 2021 Financial Statement valuations, PBGC used the most recent mortality improvement scale available by the SOA as of September 30, 2021 (MP-2020). PBGC estimates that using the updated scale MP-2021 would increase the Present Value of Future Benefits for the Single-Employer Program by approximately $341 million or 0.3 percent and would increase the Present Value of Nonrecoverable Future Financial Assistance for the Multiemployer Program by approximately $16 million or 0.6 percent as of September 30, 2021.

PAYMENT INTEGRITY INFORMATION ACT REPORTING

INTRODUCTION

OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* and related improper payment statutes[1] require federal agencies to conduct improper payment risk assessments. In compliance with Executive Order 13520, the PBGC Director serves as the agency official accountable for improper payment reporting purposes.

OMB's current implementation guidance specifies that in performing a Phase 1 risk assessment of improper payments, agencies must institute a systematic method of reviewing all programs or payment streams and identifying those that may be susceptible to significant risk of improper payments.

PBGC performs risk assessments of its payment streams using a rotational strategy based on a three-year cycle. PBGC's payment streams include the following: 1) benefit payments to participants in "final pay" status for plans trusteed by PBGC under Title IV of ERISA (Benefit Payments); 2) payments to contractors for goods and services, including government credit card transactions (Payments to Contractors); 3) payments made to federal employees, including payroll and travel reimbursements (Payments to Federal Employees); 4) financial assistance payments to insolvent multiemployer plans that are unable to pay benefits when due under the requirements of Title IV of ERISA (Financial Assistance Payments); and 5) refunds of previously-paid premiums (Premium Refunds). None of PBGC's payment streams have been previously determined to be susceptible to significant risk of improper payments as defined by statute or OMB guidance.

RESULTS OF THE FY 2021 IMPROPER PAYMENT RISK ASSESSMENT

In FY 2021, PBGC performed a risk assessment of two payment streams in accordance with our three-year rotation strategy. The two payment streams reviewed for FY 2021 were Premium Refunds and Benefit Payments. In performing the risk assessments, PBGC considered factors specified in statute and further defined in OMB guidance, including the complexity of the payment stream; the volume of payments; recent major changes in program funding, authorities, practices, or procedures; the level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate; whether the program is new to the agency; whether payments or payment eligibility decisions are made outside of PBGC; significant deficiencies in the audit reports issued by the PBGC Office of Inspector General (OIG) and the Government Accountability Office (GAO); similarities to other programs that have reported improper payments (IP) and unknown payments (UP) estimates; the accuracy and reliability of IP and UP estimates previously reported for the program; whether the program lacks information or data systems to confirm eligibility; and the risk of fraud as assessed by the agency under the Standards for Internal Control in the Federal Government published by the Government Accountability Office.

To be considered susceptible to significant risk of improper payments, OMB guidance specifies that annual improper payments within a payment stream would have to exceed (1) both 1.5 percent of program outlays and $10,000,000 of payments made during the reporting period or (2) $100,000,000 (regardless of the

[1] This references the Payment Integrity Information Act of 2019 (PIIA), which repealed and replaced the Improper Payments Information Act of 2002 (IPIA), the Improper Payments Elimination and Recovery Act of 2010 (IPERA), and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).

improper payment percentage of total program outlays). Based on the results of the Phase 1 risk assessments, PBGC determined that the Premium Refunds and Benefit Payments payment stream were not susceptible to significant risk of improper payments as defined by the law and OMB implementation guidance.

PREVENTING AND DETECTING IMPROPER PAYMENTS

In addition to its periodic improper payment testing and in support of the Administration's Do Not Pay Initiative (DNP), PBGC employs a variety of means to prevent and detect improper payments on an ongoing basis:

- For all of its payment streams, PBGC has established controls to help ensure that payments are accurate and approved. For instance, pre-payment checks include ensuring that documentation for the payment is available for review by the approving official. On a post-payment basis, payment reconciliations are performed to help ensure completeness of payment processing and to identify errors. In addition, payments are subject to periodic compliance reviews.
- PBGC regularly performs electronic data analysis of payment transactions associated with Benefit Payments and Payments to Contractors – the two largest payment streams. This process helps to identify potential duplicate payments, other overpayments, and payment anomalies. When warranted, selected payments are subjected to additional research and analysis.
- For Benefit Payments, the largest payment stream, PBGC checks its participant database against the Social Security Administration's full Death Master File (DMF) available to Federal agencies paying government benefits, to help prevent sending payments to deceased individuals that should no longer be receiving benefits.
- As a result of using the DMF, PBGC was able to stop 22,375 payments in FY 2021 totaling $12 million. Additionally, PBGC was successful in reclaiming $9.6 million of cumulative overpayments and recovering another $1.5 million of cumulative overpayments in FY 2021.
- PBGC participates in the U.S. Department of the Treasury's DNP program. For example, under the Payments to Contractors stream, payments are screened on a post-payment basis to assess whether companies are receiving payments for work performed under PBGC contracts. Prior to payment, PBGC verifies that contractors are properly registered in the General Service Administration's System for Award Management (SAM), have not been debarred or suspended from contracting in the federal sector, and do not have federal debts that have been referred to the Department of the Treasury for collection. For FY 2021, PBGC did not identify any improper payments using the DNP process for the Payment to Contractors payment stream.

RECAPTURING IMPROPER PAYMENTS

Potential improper payments are subjected to further analysis based on the amount of the payment, the nature of the potential error, and other risk factors to determine whether amounts are due to PBGC. For Benefit Payments, PBGC has established procedures to recapture overpayments through electronic reclamation and debt collection agreements. PBGC forwards most of its benefit overpayment debts to the Centralized Receivables Service (CRS) of the Treasury Department to serve as its debt collection agent. CRS has the capability to enter into installment repayment agreements and offsets against other federal benefits. In some cases, recapture of payments may not be sought based on demonstration that a participant is experiencing financial hardship or other reasons. Other PBGC payment streams also have procedures in place to collect overpayments.

When it is suspected that PBGC payments were issued, misdirected, or obtained in a fraudulent manner, PBGC works closely with PBGC's Office of Inspector General (OIG). The OIG performs investigations of suspect transactions and, when appropriate, refers matters to the Department of Justice to determine whether there is a sufficient basis to initiate a civil or criminal prosecution. The OIG regularly reports its work on its website, https://oig.pbgc.gov, and in its *Semiannual Reports to Congress,* which are posted there.

2021 ACTUARIAL VALUATION

PBGC calculated and validated the present value of future PBGC-payable benefits (PVFB) for both the Single-Employer and Multiemployer Programs and of nonrecoverable future financial assistance (NRFFA) under the Multiemployer Program. Generally, we used the same methods and procedures as in 2020 for the Single-Employer and Multiemployer Programs.

PRESENT VALUE OF FUTURE BENEFITS AND NONRECOVERABLE FINANCIAL ASSISTANCE – 2021

	Number of Plans	Number of Participants (in thousands)	Liability (in millions)
I. SINGLE-EMPLOYER PROGRAM			
A. Terminated Plans			
1. Seriatim at fiscal year-end (FYE)	4,684	1,034	$75,669
2. Seriatim at DOPT, adjusted to FYE	156	183	17,399
3. Nonserieatim[1]	228	248	19,085
4. Missing Participants Program (seriatim)[2]	-	37	316
Subtotal	5,068	1,502	$112,469
B. Probable terminations (nonseriatim)[3]	1	3	$347
Total[4]	5,069	1,505	$112,816
II. MULTIEMPLOYER PROGRAM			
A. Pre-MPPAA terminations (seriatim)	10	0*	$0
B. Pre-MPPAA liability (net of plan assets)			
1. Currently Receiving Assistance[5]	77	72	1,545
2. Probable for Assistance[6]	57	65	1,472
Total	144	137	$3,017

* Fewer than 500 participants

Notes:

1) The liability for terminated plans has been increased by $17 million for settlements.

2) The Missing Participants Program refers to a liability that PBGC assumed for unlocated participants in standard plan terminations.

3) The net claims for the probable plans reported in the financial statements include $119 million for not yet identified probable terminations. The assets for probable plans, including the expected value of recoveries on employer liability and due and unpaid employer contributions claims, are $93 million. Thus, the net claims for probables as reported in the financial statements are $347 less $93 million, or $254 million.

4) The PVFB in the financial statements ($108,929 million) is net of estimated plan assets and recoveries on probables ($93 million), estimated recoveries on terminated plans ($151 million), and estimated assets of plans pending trusteeship ($3,643 million), or $112,816 million less $93 million less $151 million less $3,643 million equals $108,929 million.

5) In year 2020 PBGC approved a MPRA facilitated merger committing to provide to the Laborers Local 235 Pension Fund $26.7 million in financial assistance over three equal annual installments of $8.9 million. The first two payments were made in January 2020 and January 2021, the third payment will be made in January 2022. This plan is not counted as Currently Receiving Financial Assistance.

6) The American Rescue Plan Act (ARP) of 2021 established Section 4262 of ERISA under which Special Financial Assistance (SFA) is provided to eligible multiemployer plans. Since the SFA funding to eligible plans will likely enable the plans to pay benefits for the next 30 years, most of the traditional financial assistance liability recognized in previous years, for ongoing probable plans, has been reversed (i.e., unbooked). See Note 7 to the financial statements, Multiemployer Financial Assistance, for more information.

Single-Employer Program

PBGC calculated the Single-Employer Program's liability for benefits in the terminated plans and probable terminations, as defined in Note 2 to the financial statements, using a combination of two methods: seriatim and nonseriatim. For 4,684 plans, representing about 92 percent of the total number of single-employer terminated plans (69 percent of the total estimated number of participants in single-employer terminated plans), PBGC had sufficiently accurate data to calculate the liability separately for each participant's benefit (seriatim method). This was an increase of 135 plans over the 4,549 plans valued seriatim last year. For 156 plans whose data were not yet fully automated, PBGC calculated the benefits and liability seriatim as of the date of plan termination (DOPT) and brought the total amounts forward to the end of fiscal year 2021 on a nonseriatim basis.

For 228 other terminated plans, PBGC did not have sufficiently accurate or complete data to value individual benefits. Instead, the Corporation used a "nonseriatim" method that brought the plan liabilities from the plan's most recent actuarial valuation forward to the end of fiscal year 2021 using certain assumptions and adjustment factors.

For September 30, 2021, the spot rate yield curve starts with an interest factor of 0.44% in year 1 and changes as the future period for discounting gets longer until year 31 when the factor becomes 2.30% and is assumed to remain level thereafter. For September 30, 2020, the spot rate yield curve started with an interest factor of 0.62% in year 1 and the interest factor for year 31 and beyond was 1.49%. The mortality tables used for valuing healthy lives were the adjusted RP-2014 Healthy Male and Female Tables, with blended healthy annuitant and employee tables before age 50 each projected generationally using Scale MP-2020. In fiscal year 2020, we used the same mortality tables, except with each table projected generationally using Scale MP-2019.

For non-pay-status participants, PBGC used expected retirement ages, as explained in subpart B of the Allocation of Assets in Single-Employer Plans regulation. PBGC assumed that participants who had attained their expected retirement age were in pay status. In seriatim plans, for participants who were older than age 65, were not in pay status, and were unlocated at the valuation date, PBGC reduced the value of their future benefits to zero over the three years succeeding age 65 to reflect the lower likelihood of payment. Similarly, for located participants over age 70 and not in pay status, PBGC reduced the value of their future benefits to zero. For deferred participants who were older than age 70 in the Missing Participant Program, PBGC reduced the value of their future benefits to zero over the ten years succeeding age 70 to reflect the lower likelihood of payment.

Multiemployer Program

PBGC calculated the liability for the 10 pre-Multiemployer Pension Plan Amendments Act (MPPAA) terminations using the same assumptions and methods applied to the Single-Employer Program.

PBGC based its valuation of the post-MPPAA liability for nonrecoverable future financial assistance on the most recent available actuarial reports, Form 5500 Schedule B or Schedule MB, as applicable, and information provided by representatives of the affected plans. There are 134 individually identified multiemployer plans that are either already insolvent or are terminated and not eligible for SFA. Therefore, PBGC expects those plans to need financial assistance because of inadequate contribution bases and insufficient assets.

Statement of Actuarial Opinion

This valuation has been prepared in accordance with generally accepted actuarial principles and practices and, to the best of my knowledge, fairly reflects the actuarial present value of the Corporation's liabilities for the single-employer and multiemployer plan insurance programs as of September 30, 2021.

In preparing this valuation, I have relied upon information provided to me regarding plan provisions, plan participants, plan assets, and other matters, some of which are detailed in Note 6 of this Annual Report as well as a complete Actuarial Report available from PBGC.

In my opinion, (1) the techniques and methodology used for valuing these liabilities are generally acceptable within the actuarial profession; (2) the assumptions used are appropriate for the purposes of this statement and are individually my best estimate of expected future experience, discounted using current settlement rates from insurance companies as determined by PBGC's Policy Research and Analysis Department; and (3) the resulting total liability represents my best estimate of anticipated experience under these programs.

I, Scott Young, am the Chief Valuation Actuary of the PBGC. I am a Member of the American Academy of Actuaries, a Fellow of the Society of Actuaries and an Enrolled Actuary. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Scott G. Young

Scott G. Young, FSA, EA, MAAA
Fellow of the Society of Actuaries
Enrolled Actuary
Member of the American Academy of Actuaries
Chief Valuation Actuary
Director, Actuarial Services and Technology Department
Pension Benefit Guaranty Corporation

INDEPENDENT AUDIT AND MANAGEMENT'S RESPONSE

Office of Inspector General

November 15, 2021

To the Board of Directors
Pension Benefit Guaranty Corporation

The Office of Inspector General contracted with Ernst & Young LLP (EY), an independent certified public accounting firm, to audit the financial statements of the Single-Employer and Multiemployer Program Funds administered by the Pension Benefit Guaranty Corporation as of and for the years ended September 30, 2021 and 2020. EY conducted the audit in accordance with the following auditing standards: Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States and the Office of Management and Budget Bulletin No. 21-04, "Audit Requirements for Federal Financial Statements."

In their audit, EY found:

- The financial statements present fairly, in all material respects, the financial position of the Single-Employer and Multiemployer Program Funds administered by the PBGC as of September 30, 2021 and 2020, and the results of their operations and cash flows for the year then ended, in accordance with accounting principles generally accepted in the U.S. This is the 29th consecutive unmodified financial statement audit opinion.

- PBGC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2021, based on criteria established under 31 U.S.C. 3512 (c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control (0MB Circular A-123). As of September 30, 2021, PBGC has one significant deficiency: Lack of Reevaluation of Policies, Procedures and Controls when Significant Changes to Programs Occur.

- No instances of noncompliance or other matters with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

EY is responsible for the accompanying auditor's report dated November 15, 2021 and the conclusions expressed in the report. We do not express opinions on PBGC's financial statements or internal control over financial reporting, nor do we draw conclusions on compliance with laws and regulations. The financial statement audit report (AUD-2022-02/FA-21-155-1) is also available on our website at oig.pbgc.gov.

Respectfully,

Nicholas J. Novak

Nicholas J. Novak
Inspector General

cc: Gordon Hartogensis
Patricia Kelly
Alice Maroni
Kristin Chapman
David Foley
Karen Morris
Ann Orr
Robert Scherer
Theodore Winter
Frank Pace

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Report of Independent Auditors

To the Board of Directors, Management and the Inspector General
of the Pension Benefit Guaranty Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Pension Benefit Guaranty Corporation (the Corporation), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of operations and cash flows of the Single-Employer and Multiemployer Program Funds administered by the Corporation for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and the Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Single-Employer and Multiemployer Program Funds administered by the Corporation as of September 30, 2021 and 2020, and the results of their operations and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the potential losses from Single Employer plans for which termination is reasonably possible as a result of unfunded vested benefits are estimated to be approximately $105 billion. Management calculated the potential losses from single-employer plans for which termination is reasonably possible based on the most recent data available from filings and submissions for plan years ended on or after December 31, 2019, and adjusted the value reported for liabilities to the estimated balance as of December 31, 2020, using actuarial assumptions. The Corporation did not adjust the estimate for economic conditions that occurred between December 31, 2020 and September 30, 2021, and, as a result, the underfunding for the Single-Employer Program as of September 30, 2021, could be substantially different. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the Corporation's financial statements. The accompanying other information, including the Message from Our Chair, Message from the Director, Annual Performance Report, Operations in Brief, Strategic Goals and Results, Independent Evaluation of the Corporation's Programs, Fiscal Year (FY) 2021 Financial Statement Highlights, Management's Discussion and Analysis, Analysis of Entity's Systems, Controls and Legal Compliance, Management Representation, Improper Payment Reporting, 2021 Actuarial Valuation, Letter of the Inspector General, and Management's Response to the Report of Independent Auditor and Organization contain a wide range of information, is presented for purposes of additional analysis and is not a required part of the financial statements.

This other information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated November 15, 2021 on our audit of the Corporation's internal control over financial reporting. The purpose of that report is to provide an opinion on internal control over financial reporting. In accordance with *Government Auditing Standards,* we also have issued our report dated November 15, 2021 on our tests of the Corporation's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Ernst + Young LLP

November 15, 2021

Building a better
working world

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Report of Independent Auditors on Internal Control Over Financial Reporting

To the Board of Directors, Management and the Inspector General
of the Pension Benefit Guaranty Corporation

We have audited the Pension Benefit Guaranty Corporation's (the Corporation) internal control over financial reporting as of September 30, 2021, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA), as implemented by Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and in *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States.

Management's Responsibility for Internal Control Over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Analysis of Entity's Systems, Controls and Legal Compliance section of the Annual Report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk. We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, although certain internal controls could be improved, the Corporation maintained, in all material respects, effective internal control over financial reporting as of September 30, 2021, based on criteria established under FMFIA.

Reporting Significant Deficiencies in Internal Control Over Financial Reporting as Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies. A *deficiency in internal control* over financial reporting (internal control) exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

As described in the accompanying Exhibit I, our audit identified a deficiency in the Corporation's reevaluation of policies that we consider to be a significant deficiency in the Corporation's internal control over financial reporting.

Corporation's Response to Findings

The Corporation's response to the finding identified in our audit of internal control over financial reporting, as described in Exhibit I of our report, is included in Exhibit II. The Corporation's response was not subjected to the audit procedures applied in the audit of internal control over financial reporting, and, accordingly, we express no opinion on it.

Report on Financial Statements

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*, the financial statements of the Corporation, which comprise the statement of financial position as of September 30, 2021 and 2020, and the related statements of operations and cash flows of the Single-Employer and Multiemployer Program Funds administered by the Corporation for the years then ended, and the related notes to the financial statements. Our report dated November 15, 2021 expressed an unmodified opinion thereon.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated November 15, 2021 on our tests of the Corporation's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's compliance.

Ernst + Young LLP

November 15, 2021

Exhibit I

Lack of Reevaluation of Policies, Procedures, and Controls When Significant Changes to Programs Occur

The American Rescue Plan Act of 2021 (ARP) established a new multiemployer (ME) Special Financial Assistance (SFA) Program. Unlike traditional financial assistance wherein PBGC provides assistance to multiemployer plans in the form of a loan and records a liability for the non-recoverable future financial assistance (NRFFA) representing the estimated non-recoverable payments to be provided in the future to ME plans, the new special financial assistance will be provided to qualifying plans with no obligation of repayment. During FY 2021, PBGC started the implementation of the SFA program and determined that a significant number of plans are eligible for SFA. Therefore, PBGC removed the related NRFFA liability from its balance sheet, resulting in a 95% reduction of the liability from the prior fiscal year.

This change to the ME liability also resulted in other ME program processes becoming significant or material for the first time. According to the Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, management should identify, analyze, and respond to significant changes that could impact the internal control system. PBGC did not execute an adequate reevaluation of policies, procedures, and controls related to ME processes given the program changes resulting from ARP, and, in particular, did not reevaluate the precision of the respective controls associated with processes that became material to the ME program. For example, we noted that PBGC did not reevaluate its policies, procedures, and controls associated with PBGC administrative expenses, resulting in the incorrect recording of administrative obligations as administrative expenses and using an unsupported allocation methodology to allocate a portion of total administrative expenses to the ME program.

Recommendations

PBGC should take the following corrective actions to remediate conditions identified above:

- Develop specific policies to reevaluate policies, procedures, and controls when significant changes to programs occur.

- Annually re-evaluate allocation methodologies considering any current year developments which impacts the execution of PBGC operations.

Exhibit II

Pension Benefit Guaranty Corporation Managements Response FY 2021 Independent Auditor Report September 30, 2021

PBGC Protecting America's Pensions
Pension Benefit Guaranty Corporation
1200 K Street, N.W., Washington, D.C. 20005-4026

Office of the Director

November 15, 2021

MEMORANDUM

To: Nick Novak
Inspector General

From: Gordon Hartogensis
Director

Gordon Hartogensis

Subject: Response to the Independent Auditor's Combined Audit Report for the FY 2021 Financial Statement Audit

Thank you, once again this year for the opportunity to comment on the Office of Inspector General's FY 2021 audit results regarding the agency's financial statements, internal controls, and compliance with laws and regulations. Given that PBGC protects the pensions of millions of Americans, it is especially noteworthy that our financial statements have once again received an unmodified opinion, as have our internal controls over financial reporting.

We agree with your observations on internal controls and are fully committed to addressing the issue noted in this year's report. As management completes it, we will certainly keep your office informed. Your attention to reviewing our corrective actions is especially appreciated.

cc:
Kristin Chapman
Patricia Kelly
Ann Orr
David Foley
Alice Maroni
Karen Morris
Robert Scherer
Russell Dempsey
Frank Pace
Theodore J. Winter

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Report of Independent Auditors on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors, Management and the Inspector General
of the Pension Benefit Guaranty Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*, the financial statements of the Pension Benefit Guaranty Corporation (the Corporation), which comprise the statement of financial position as of September 30, 2021 and 2020, and the related statements of operations and cash flows of the Single-Employer and Multiemployer Program Funds administered by the Corporation for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2021. We also have audited the Corporation's internal control over financial reporting as of September 30, 2021, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA), as implemented by OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and in *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, and have issued our report thereon dated November 15, 2021.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 21-04.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated November 15, 2021, on our audit of the Corporation's internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing compliance and the results of that testing, and not to provide an opinion on the Corporation's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

November 15, 2021

ORGANIZATION

BOARD OF DIRECTORS

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Martin J. Walsh
Chair

Secretary of Commerce
Gina M. Raimondo

Secretary of the Treasury
Janet Yellen

EXECUTIVE MANAGEMENT

Director
Gordon Hartogensis

Chief of Benefits Administration
David Foley

Chief Financial Officer
Patricia Kelly

Chief Information Officer
Robert Scherer

Chief Management Officer
Alice Maroni

Chief of Negotiations and Restructuring
Karen Morris

Chief Policy Officer
Ann Young Orr

Chief of Staff
Kristin Chapman

General Counsel
Russell Dempsey

OFFICE OF INSPECTOR GENERAL

Inspector General
Nicholas J. Novak

BOARD REPRESENTATIVES

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Don Graves
Deputy Secretary of Commerce

Department of Labor
Ali Khawar
Acting Assistant Secretary of the Employee Benefits Security Administration

Department of the Treasury
David A. Lebryk
Fiscal Assistant Secretary

SENIOR CORPORATE MANAGEMENT

Actuarial Services and Technology Department
Scott G. Young
Director

Bankruptcy, Litigation and Terminations Department
Kartar Khalsa
Acting Deputy General Counsel

Bankruptcy, Transactions and Terminations Department
Kartar Khalsa
Deputy General Counsel

Budget Department
Kimberly Mayo
Director

Business Innovation Services Department
Vidhya Shyamsunder
Director

Communications, Outreach and Legislative Affairs Department
Martha Threatt
Director

Corporate Controls & Reviews Department
Franklin Pace
Director

Corporate Finance & Restructuring Department
Adi Berger
Director

Corporate Investments Department
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Tim Hurr
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Enterprise Governance Department
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Director

Financial Operations Department
Theodore Winter, Jr.
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General Law and Operations Department
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Deputy General Counsel

Human Resources Department
Arrie Etheridge
Director

Information Technology Infrastructure Operations Department
Joshua Kossoy
Director

Negotiations & Restructuring Actuarial Department
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Director

Office of Benefits Administration
Janice Brown-Taylor
Deputy Chief

Office of Equal Employment Opportunity
Brenecia Watson
Director

Office of Negotiations and Restructuring
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Office of Policy and External Affairs
Michael Rae
Deputy Chief

Participant Services Division
Jennifer Messina
Director

Plan Asset & Data Management Department
Michael Hutchins
Director

Plan Compliance Department
Rossi Marcelin
Director

Policy Research and Analysis Department
Theodore Goldman
Director

Procurement Department
Juliet Felent
Director

Workplace Solutions Department
Alisa Cottone
Director

Program Law and Policy Department
Dan Liebman
Deputy General Counsel

Quality Management Department
Diane Braunstein
Director

Risk Management Officer
Latreece Wade

PBGC ADVISORY COMMITTEE

Henry C. Eickelberg, *Chair*

Preston Crabill

Lynn Franzoi

Jeanmarie Grisi

Jackson Miller

Guy Pinkman

PARTICIPANT AND PLAN SPONSOR ADVOCATE

Constance A. Donovan