PENSION BENEFIT GUARANTY CORPORATION (PBGC)

Statement of Regulatory and Deregulatory Priorities

The Pension Benefit Guaranty Corporation (PBGC) protects the pensions of over 44 million working men and women in about 30,000 private defined benefit plans. PBGC receives no funds from general tax revenues. Operations are financed by insurance premiums, investment income, assets from pension plans trusted by PBGC, and recoveries from the companies formerly responsible for the trusted plans.

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

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

PBGC Insurance Programs

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

- **Single-Employer Program.** Under the single-employer program, PBGC pays guaranteed and certain other pension benefits to participants and beneficiaries if their plan terminates with insufficient assets (distress and involuntary terminations). Early in 2005, the Administration proposed reforms to improve funding of plans and restore the financial health of the insurance program, which had an $18.1 billion deficit at the end of fiscal year 2006.

- **Multiemployer Program.** The smaller multiemployer program covers 1,600 collectively bargained plans involving more than one unrelated employer. PBGC provides financial assistance (in the form of a loan) to the plan if the plan is unable to pay benefits at the guaranteed level. Guaranteed benefits are less than single-employer guaranteed benefits. The multiemployer program, which is separately funded from the single-employer program, had a $739 million deficit at the end of FY 2006.

Recent Legislation

Legislation signed into law in 2006 -- the Deficit Reduction Act of 2005 (DRA 2005) and the Pension Protection Act of 2006 (PPA 2006) -- contain various provisions intended to improve plan funding, enhance pension-related reporting and disclosure, and strengthen the insurance programs.

Regulatory Objectives and Priorities

PBGC’s current regulatory objectives and priorities are to implement the DRA 2005 and PPA 2006 changes by issuing simple, understandable, and timely regulations that do not impose undue burdens that would impede maintenance or establishment of defined benefit plans. These regulatory objectives and priorities are developed in the context of the Corporation’s statutory purposes:
To encourage voluntary private pension plans;

To provide for the timely and uninterrupted payment of pension benefits; and

To keep premiums at the lowest possible levels.

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

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

PPA 2006 also makes changes to the plan actuarial and employer financial information required under section 4010 of ERISA to be reported to PBGC by employers with large amounts of pension underfunding. PBGC expects to publish a proposed regulation implementing those changes in late 2007.

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

In 2007, PBGC published two proposed rules implementing most of the premium changes under DRA 2005 and PPA 2006. The Corporation expects to finalize these rules in late 2007. PBGC expects to publish a proposed rule in mid-2007 implementing the authority under PPA 2006 to pay interest on premium overpayments. The Corporation is incorporating the changes to the flat-rate and variable-rate premiums into software so that it will be easy to comply with the premium changes under the new law.

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

PBGC gives consideration to the special needs and concerns of small businesses in making policy. A large percentage of the plans insured by PBGC are small or maintained by small employers. The first proposed rule PBGC published under PPA 2006 implemented the cap on the variable-rate premium for plans of small employers. In early 2008, the Corporation expects to issue a proposed regulation implementing the expanded missing participants program under PPA 2006, which will also benefit small businesses.

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