Pension Benefit Guaranty Corporation

Annual Report 2020

A MESSAGE FROM OUR CHAIR

The Pension Benefit Guaranty Corporation (PBGC or the Corporation) has played an instrumental role in safeguarding the pension benefits of American workers for more than 45 years. The PBGC does this by working with employers to help them maintain their pension plans and keep their pension promises, and by timely paying guaranteed backstop benefits in the case of plans that have failed.

On behalf of Treasury Secretary Steven Mnuchin, Commerce Secretary Wilbur Ross, and the PBGC, I am pleased to present the PBGC's FY 2020 Annual Report. The Annual Report provides important financial and operational information about PBGC's Single-Employer and Multiemployer Insurance Programs and activities. The report also highlights many of the PBGC's accomplishments during this past fiscal year, as well as challenges that lie ahead.

The Single-Employer Program continues to improve, but the Multiemployer Program remains in substantial deficit. Although the projected insolvency year for the Multiemployer Program is now FY 2026, compared to FY 2025 in the prior report, this results from enactment of the Bipartisan American Miners Act, and does not change the overall worsening financial position of the Program. The Board is very concerned with the looming insolvency of the Multiemployer Program and is ready to work with Members of Congress and all stakeholders on a comprehensive solution to preserve the federal backstop and safeguard pension benefits.

My fellow Board members and I are proud of the work PBGC does to provide a more secure future for the millions of workers and retirees in defined benefit plans. The Administration is prepared to work with Congress to strengthen the financial outlook of plans and the ability of PBGC to meet the challenges it faces now and in the future.

Eugene Scalia
Secretary of Labor
Chair of the Board

A MESSAGE FROM THE DIRECTOR

Since 1974, the Pension Benefit Guaranty Corporation (PBGC or the Corporation) has played a critical role in protecting the retirement security of American workers, retirees, and beneficiaries. The Corporation insures the retirement benefits of more than 34 million men and women. As trustee and administrator, PBGC provides retirement security for over 1.5 million people in more than 5,000 plans that have failed since PBGC was established 46 years ago.

To ensure proper oversight and transparency, the agency's operations are independently audited each year. I am proud to report that this marks the 28th consecutive year the agency has received an unmodified audit opinion on its financial statements, and the fifth consecutive year of an unmodified audit opinion on internal control over financial reporting. Additionally, as required by Office of Management and Budget Circular A-136, I am pleased to confirm with reasonable assurance the completeness and reliability of the financial and performance data presented in the Fiscal Year (FY) 2020 Annual Management Report (AMR) and the FY 2020 Annual Performance Report (APR), included in this Annual Report.

As the FY 2020 Annual Report illustrates, PBGC's two insurance programs are in dramatically different financial positions. The Single-Employer Insurance Program continues to improve, due in part to the Corporation's investment policy. Robust management of the portfolio resulted in a FY 2020 program return greater than 10.5 percent, and implementation of the agency's liability driven investment strategy has proven successful amidst significant market volatility. The Single-Employer Insurance Program's positive net position of $15.5 billion reflects an improvement of $6.8 billion compared to FY 2019. While currently financially healthy, the Single-Employer Insurance Program remains exposed to more than $176 billion in underfunding in pension plans sponsored by financially weak companies that could potentially become claims to PBGC.

The Multiemployer Insurance Program continues to face a crisis that threatens the retirement security of millions of Americans and is highly likely to become insolvent in 2026. The Multiemployer Insurance Program remains severely underfunded with a negative net position of $63.7 billion, compared to $65.2 billion a year earlier. It remains clear that legislative reform is necessary to avert insolvency and PBGC continues to provide technical support to policymakers, stakeholders, and plan sponsors.

Throughout the COVID-19 pandemic, PBGC has remained fully operational and fulfilled its mission seamlessly while always focusing on the health and safety of our workforce. Additionally, the agency extended due dates for premium filings and other filing requirements, and it has allowed employers to benefit more fully from the contribution timing relief provided by the Coronavirus Aid, Relief, and Economic Security Act.

We have also met our obligations and provided excellent customer service to a record number of retirees — providing over 984,000 retirees in single-employer plans more than $6.1 billion in benefits during FY 2020. The Corporation processed nearly 28,000 new benefit applications and handled more than 556,000 customer calls. PBGC also continued to encourage the continuation of single-employer plans affected by plan sponsor bankruptcies, ultimately helping to protect the benefits of more than 100,000 participants in plans that continued after bankruptcy. The agency has also become more transparent, launching a searchable database that provides direct access to PBGC guidance documents and publishing PBGC's procedures on issuing guidance documents.

The Corporation also continued to protect benefits for multiemployer plan participants. In FY 2020, PBGC approved the first facilitated merger under the Multiemployer Pension Reform Act of 2014, providing financial assistance to help preserve the solvency of the merged plan and protecting retiree benefits in a way that will not impair PBGC's ability to meet its existing financial assistance obligations to other multiemployer plans.

Lastly, PBGC has continued existing efforts to modernize and improve the agency's IT infrastructure, services, and security posture. Our IT systems modernization efforts have improved data security, facilitated data synchronization, and provided enhanced real-time updates and self-service options for our customers.

It remains an honor and privilege to lead PBGC's talented staff as we strive to fulfill our vital mission. Our work has a real and significant impact on millions of workers, retirees, and their families; and we remain fully committed to supporting all those who rely on PBGC.

Gordon A. Hartogensis

Gordon Hartogensis
Director
December 9, 2020

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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, July 10, 2020; 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 27, 2020. 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 34 million American workers, retirees, and beneficiaries in both single-employer and multiemployer private-sector defined benefit pension plans. The 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 Insurance Program is financed by insurance premiums, investment income, and assets and recoveries from failed single-employer plans. The Multiemployer Insurance Program is financed by insurance premiums and investment income.

The Corporation's three strategic goals are:

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 participants and their families. In FY 2020, the Corporation made benefit payments of over $6.1 billion to more than 984,000 retirees and beneficiaries, as highlighted in Table 1.

TABLE 1: FY 2020 OPERATIONS IN BRIEF[1]

	2020 Target	2020 Actual	2019 Actual
GOAL 1: Preserve Plans and Protect Pensions			
Single-Employer Plan Participants Protected – Employers Emerging from Bankruptcy During the Year		127,000	12,000
Single-Employer Plan Standard Termination Audits: Additional Payments		$1.9M paid to 1,909 participants	$5.1M paid to 993 participants
Single-Employer Benefit Payments for Terminated Plans			
• Participants Receiving Benefits		984,000	932,000
• Benefits Paid		Over $6.1B	Over $6B
• Participants Expected to Receive Future Benefits		552,000	591,000
Multiemployer Plan Financial Assistance		$173M to 95 plans	$160M to 89 plans
Multiemployer Participants in Insolvent Plans			
• Participants Receiving Benefits		79,600	66,900
• Participants Expected to Receive Future Benefits		27,600	27,300
GOAL 2: Pay Timely and Accurate Benefits			
Estimated Benefits Within 10% of Final Calculation	95%	96%	96%
Average Time to Provide Benefit Determinations (Years)	5.5	5.3	5.6
Improper Payment Rates Within OMB Threshold[2]	<1.5%	Yes	Yes
Applications Processed in 45 Days	87%	78%	90%
GOAL 3: Maintain High Standards of Stewardship and Accountability[3]			
Retiree Satisfaction – ACSI[4] Score	90	89	91
Caller Satisfaction – ACSI Score	85	81	84
Premium Filer Satisfaction – ACSI Score	74	76	74
Single-Employer – Financial Net Position		$15.5B	$8.7B
Multiemployer – Financial Net Position		($63.7B)	($65.2B)
Unmodified Financial Statement Audit Opinion	Yes	Yes	Yes

[1] Numbers in this report have been rounded.
[2] The OMB threshold for significant improper payment reporting is as follows: amounts that exceed (1) both 1.5 percent and $10 million in improper payments, or (2) $100 million in improper payments.
[3] In March 2020, PBGC retired the Customer Satisfaction survey and is now piloting a new PBGC.gov Feedback button.
[4] The American Customer Satisfaction Index (ACSI) uses a 0-100 scale; 80 or above is considered excellent.

STRATEGIC GOALS AND RESULTS

PBGC's FY 2020 Annual Performance Report highlights the Corporation's achievements, accomplishments, and performance results through the lens of its strategic goals. The Corporation's priorities are to preserve plans and protect pensioners, pay timely and accurate benefits, and maintain high standards of stewardship and accountability.

GOAL 1: PRESERVING PLANS AND PROTECTING PENSIONS

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 1,400 pension plans. The Single-Employer Program protects about 23.5 million workers and retirees in about 23,200 pension plans.

To help further PBGC's mission, on October 22, 2020, President Donald J. Trump directed by memorandum the Secretary of the Treasury, the Secretary of Commerce, and the Secretary of Labor, who together comprise the PBGC Board of Directors, to review the pension plans held in trusteeship by PBGC and recommend legislation or other actions to address the financial health of PBGC-covered plans and PBGC's insurance programs. The memorandum directs that proposals appropriately balance the interests of relevant stakeholders, notably employers, unions, taxpayers, workers, and retirees. Additionally, the President directed the Board Secretaries to review the termination of the Delphi Salaried Pension Plan and formulate recommendations regarding benefits and transparency, including proposed legislation and any appropriate action that may be taken consistent with applicable law. On this topic, a September 1, 2020, decision by a panel of the United States Court of Appeals for the Sixth Circuit, affirmed a federal district court's grant of summary judgment to the agency on the grounds that the agency's actions were consistent with governing law. A petition for rehearing is currently pending before the Sixth Circuit.

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 2020, PBGC provided $173 million in financial assistance to 95 multiemployer plans, including one facilitated merger. At year end, 91 insolvent plans continued to receive financial assistance covering about 79,600 participants receiving guaranteed benefits. An additional 27,600 participants in the insolvent plans are eligible to receive benefits once they retire.

The Corporation initiated audits of eight terminated or insolvent multiemployer plans covering more than 5,500 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.

Multiemployer Plan Partitions and Applications for Benefit Suspensions

The Multiemployer Pension Reform Act of 2014 (MPRA) offers more options for plans that are likely to become insolvent. Certain critical and declining plans that are projected to run out of money may apply to the Treasury Department for a suspension of benefits. Applications may include benefit suspensions to 110 percent of PBGC's guarantee level, except for age- and disability-protected benefits. Pursuant to the statute and subject to Treasury Department regulations, a plan sponsor's determinations used in formulating a suspension application shall be accepted unless the Treasury Department, in consultation with PBGC and the Department of Labor, conclude that the plan sponsor's determinations were "clearly erroneous."

Critical and declining plans may also request partition assistance from PBGC. A partition allows plans to transfer responsibility for paying monthly guaranteed benefits to a portion of the plan's participants and beneficiaries through a newly created successor plan that receives financial assistance from PBGC.

For a plan to be eligible for a partition, the plan sponsor must show that it has taken all reasonable measures to avoid insolvency. The plan must also demonstrate that assistance is necessary for the plan to avoid running out of money and is expected to help the plan's long-term solvency. Plans applying for a partition are also required to apply to the Treasury Department for a suspension of benefits to the maximum extent allowable. In such a case, a partition may only be approved if the suspension is approved and vice versa. When a partition is approved, the original plan has an ongoing obligation to pay and preserve benefits for all participants at levels above PBGC's guarantee amounts.

In FY 2020, PBGC issued an order partitioning the Bricklayers and Allied Craftsmen Local 7 Pension Fund (Bricklayers 7 Fund) covering about 400 participants. The partition moves a portion of the plan's guaranteed benefit obligations to a new, separate plan. On October 1, 2020, PBGC began providing financial assistance to the Bricklayers 7 Fund to pay benefits for participants in the new plan.

Multiemployer Plan Withdrawal Liability

Withdrawal liability represents the amount of money owed by an employer to an underfunded multiemployer pension plan after withdrawing from the plan as a contributing employer. 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. Withdrawal liability helps prevent withdrawing employers from shifting pension obligations to the remaining employers in a plan and provides some funding protection to the plan.

By law, multiemployer plans may adopt alternative withdrawal liability methods for allocating unfunded vested benefits. In FY 2020, PBGC approved seven alternative methods adopted by plans for a variety of reasons (including one modification of a prior rule), based on PBGC's determination that these methods would not significantly increase the risk of loss to plan participants and beneficiaries or to PBGC. As a means of attracting new employers into underfunded plans, two plans received PBGC's concurrence in creating a new "pool" of liabilities for these new entrants, known as a "two-pool alternative allocation method." The

Corporation approved one request to adopt the building and construction industry withdrawal liability exemption having found that adoption of the exemption would not adversely affect the funding of the pension plan. The building and construction industry withdrawal liability rule exempts withdrawing employers from withdrawal liability if certain criteria are met.

PBGC also reviewed one proposed rule for alternative terms and conditions for satisfaction of withdrawal liability.

Multiemployer Plan Mergers and Transfers

MPRA allows critical and declining plans that are likely to become insolvent to request financial assistance from PBGC upon merging with another multiemployer plan. Financial assistance may promote mergers with a more viable plan and eliminate the need for benefit reductions.

In FY 2020, 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. PBGC is providing three annual installments of $8.9 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 the Local 1000 Plan 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 the plans.

Additionally, plan mergers without financial assistance can help protect the benefits of participants in multiemployer plans and make the merged plans more sustainable in the future. In general, mergers can broaden a plan's contribution base, reduce plan administrative and investment expenses, and rescue troubled plans from projected insolvency. Similarly, transfers of assets and liabilities between plans can have a positive impact on all plans involved. Such transfers may result in steady or improved funding to help sustain the plans.

In FY 2020, PBGC issued compliance determinations for four multiemployer plan mergers. These transactions were not related to MPRA. PBGC also issued one compliance determination for a transfer of liabilities and assets between multiemployer plans.

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 set by law. 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. In some instances, plans can choose to voluntarily terminate by filing what is called a standard termination, if the plan has enough money to pay all benefits owed to participants.

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

Standard Terminations

A standard termination is a termination of a plan that has enough money to pay all benefits owed to participants and beneficiaries. A pension plan may be terminated only by following certain specific rules.

In FY 2020, 1,725 plans, covering approximately 190,000 participants, filed standard termination applications with PBGC. The number of terminations received last year is higher than the average of the five previous years.

Approximately 1,597 plans with an aggregate of more than 289,000 participants completed standard terminations in FY 2020 by paying full plan benefits to participants and beneficiaries in the form of annuities or lump sums. Some of the larger standard terminations were: The Florida Health Sciences Center, Inc. Retirement Plan, The Children's Hospital of Philadelphia Pension Account Plan, Bristol-Myers Squibb Company Retirement Income Plan, McKesson Corporation Retirement Plan, Avery Dennison Pension Plan, The Dana Retirement Plan, The Hillshire Brands Company Salaried Pension Plan, The Hillshire Brands Company Consolidated Hourly Pension Plan, and Hasbro Inc. Pension Plan.

PBGC completed 313 standard termination audits in FY 2020 to verify plan sponsors' calculation of participants' benefits upon plan termination. The audits discovered errors that PBGC has confirmed plan sponsors have since corrected, resulting in more than $1.9 million in additional benefits distributed to 1,909 participants in these plans.

Plans Saved

When plan sponsors enter bankruptcy proceedings, PBGC encourages continuation of pension plans. Although bankruptcy forces tough choices that does not mean that pensions must terminate for companies to succeed. In FY 2020, these plans were among those that continued after the bankruptcies of their sponsors or controlled group members, protecting the benefits of participants:

- PG&E (more than 53,150 participants).
- FirstEnergy Solutions, Corp. (more than 41,600 participants).
- Neiman Marcus (more than 10,600 participants).
- Windstream Holdings (more than 8,800 participants).
- McDermott International, Inc. (more than 4,850 participants).
- American Commercial Lines (more than 4,050 participants).

Coverage Pilot and Mediation Programs

In FY 2019, PBGC introduced a one-year pilot program in which, in limited circumstances, employers may request an Opinion Letter about whether a plan in the process of being created is likely to be covered under Title IV of ERISA. In most cases, it is easy to determine if a defined benefit plan is covered by PBGC's insurance program. However, for plans that may be considered a Church plan, a Puerto Rico-based plan, a small professional service plan, or a substantial owner's plan, this may not be clear. Thus, the coverage program assists plan sponsors in understanding whether a plan is covered by PBGC. PBGC developed a form for requesting a determination on whether a plan is covered and posted it to PBGC.gov. This form will streamline and simplify the coverage determination process. PBGC received a limited number of requests for Opinion Letters under the pilot program. Because the COVID-19 pandemic may have impacted submissions, PBGC has extended the pilot program for an additional year to September 30, 2021.

In response to business community comments and concerns, PBGC also created the Mediation Program. This program offers mediation to facilitate resolution of fiduciary breach cases[1] and negotiations with ongoing plan sponsors as part of its Early Warning and Risk Mitigation Program, and former plan sponsors as part of resolving their pension liabilities following termination of underfunded pension plans.

PBGC's practice is to resolve Early Warning issues, termination liability claims, and fiduciary breach cases on a consensual basis with plan sponsors without the need for litigation. This gives plan administrators the opportunity to resolve these cases with a neutral, professional, and independent mediator in a timely and cost-effective manner. PBGC's experienced professionals are committed to achieving settlements that are affordable for each plan sponsor.

GOAL 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. These Americans count on PBGC to pay their benefits accurately and on time.

Benefits Administration

PBGC becomes trustee of single-employer plans that terminate without enough money to pay all their benefit promises. When PBGC assumes responsibility for a pension plan, the top priority is to make sure the plan's existing retirees continue to receive benefits without interruption. In FY 2020, PBGC took responsibility for 69 single-employer plans that provide pension benefits to nearly 57,000 current and future retirees.

The Corporation paid over $6.1 billion in benefits to more than 984,000 retirees in single-employer plans and nearly 28,000 new retirees applied for benefits. Due to the onset of the COVID-19 pandemic, PBGC's time to process benefit applications grew by 15 days, on average, during the last quarter. The Corporation met its goal of processing 87 percent of benefit applications within 45 days of receipt for the first three quarters of FY 2020. PBGC fell short of its goal by completing only 78 percent within 45 days of receipt by the end of the fiscal year but continued to process 89 percent of benefit applications within 60 days.

After PBGC becomes trustee of a plan, a complex, multiyear process of valuing the plan's assets, reviewing plan and participant data, and calculating final benefits begins. Accuracy of benefit amounts is a priority to the Corporation. When participants are eligible and request to start receiving their benefit, PBGC begins paying them an estimated benefit if the Corporation has not completed the process required to issue a final benefit determination. When the process is complete, participants are informed of their exact benefit amount. In FY 2020, 96 percent of final benefit amounts issued were within 10 percent of the estimated benefit amount, exceeding the performance target of 95 percent.

[1] Fiduciary breach cases involve situations where plan fiduciaries, such as a plan sponsor, plan administrators, and certain advisors, take actions that violate their duties of loyalty and prudence to participants.

In recent years, the focus has been on calculating final benefits in PBGC's oldest, largest, and most complex plans. The Corporation has also worked to streamline its processes, improve its technology to support the benefit determination process, and enhance the service provided to its customers. As a result, PBGC issued 70 percent of the final benefit determinations for plans trusteed prior to FY 2018. Average processing times of 5.60 years in FY 2019 have been decreased to 5.3 years in FY 2020.

Reviews and Appeals

When participants and beneficiaries in trusteed single-employer plans disagree 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 of its decision. In FY 2020, the Corporation started with 91 open appeals, accepted 222 new appeals, and closed 249 appeals, with 64 still open at the end of the year. More information regarding PBGC's appeals is available on PBGC.gov.

GOAL 3: MAINTAINING HIGH STANDARDS OF STEWARDSHIP AND ACCOUNTABILITY

Accountability: Measuring and Monitoring Performance

PBGC 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, accurately calculates benefits, and invests assets. PBGC conducts surveys to help improve the coordination and cooperation essential to meeting customer service goals.

Each quarter, PBGC leadership participates in data-driven discussions covering the Corporation's operations; stewardship and accountability; customer satisfaction; and building and maintaining a model workplace. The strategic use of performance data better informs planning and execution of operations, as well as corporate and program area decision-making.

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. In addition, the Corporation is funded by investment income, assets from pension plans trusteed by PBGC, and recoveries from the companies formerly responsible for the plans. PBGC receives no funds from taxpayer dollars. The Corporation pays benefits based on federal law and the provisions of the plans it trustees.

Financial Position

The financial status of the Single-Employer Program shows continuous improvement and achieved a positive net position of $15.5 billion at the end of FY 2020. Estimates from PBGC's FY 2019 Projections Report indicate that continued improvement in the financial status of the Single-Employer Program is likely but not guaranteed. The net financial position of the Multiemployer Program improved during FY 2020 to a negative net position of $63.7 billion. While last year's report projected PBGC's Multiemployer Program would become insolvent during FY 2025, this year's projections show a very high likelihood of insolvency during FY

2026 and that insolvency is a near certainty by the end of FY 2027. Both these changes are due primarily to the enactment of the Bipartisan American Miners Act of 2019, which provided federal funding for the United Mine Workers of America 1974 Pension Plan.

Financial Soundness and Financial Integrity

The Corporation protects the pensions of more than 34 million participants whose plan benefits are valued 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 $147 billion in total assets. In FY 2020, PBGC attained the 28th consecutive unmodified audit opinion on its financial statements

Collecting Premiums

Premium rates are set by statute and 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 2020, combined premium cash receipts collected totaled $6.9 billion. Single-Employer Program premium cash receipts collected were $6.6 billion. Separately, Multiemployer Program premium cash receipts in FY 2020 were around $309 million.

In FY 2020, PBGC improved its practitioner-based online filing system – My PAA – through streamlining application features, implementing security upgrades, and installing additional infrastructure advancements to improve user experience.

Investing Prudently

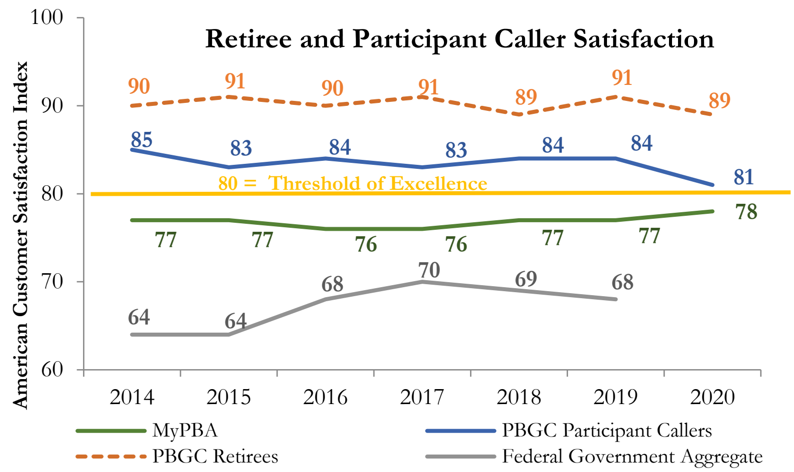
PBGC investment assets are administered by investment management firms subject to PBGC's investment policies and oversight procedures. Procedures for internal controls, due diligence, and risk management are subject to periodic review. Regular and detailed communication with management firms enables the Corporation to stay informed on matters affecting its investment program. For more information, refer to Section VIII 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). Major service improvements currently underway include revamping customer-facing systems.

Participants and Retirees

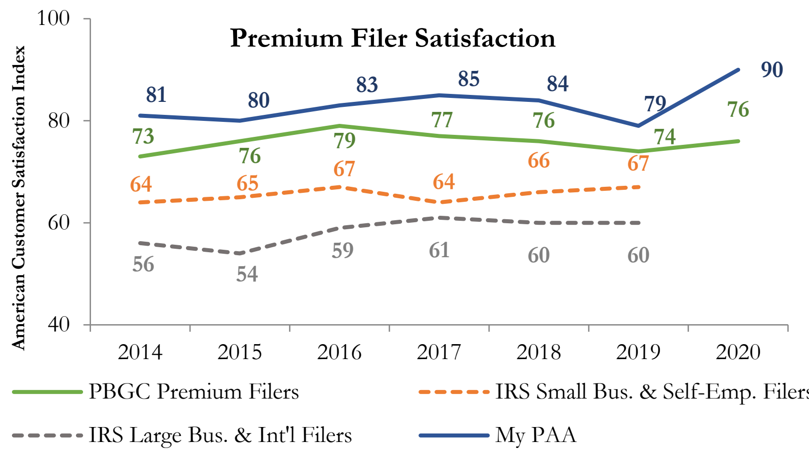
Retirees receiving monthly payments from PBGC gave the Corporation a satisfaction score of 89; the FY 2020 ACSI target score was 90. Retirees continue to be PBGC's most satisfied customer group with scores consistently among the highest in the federal government.



Pension plan participants who called PBGC and responded to a survey scored their satisfaction at 81. While PBGC continues to provide excellent customer service to its callers, an increased demand for benefit estimates has lengthened delivery time.

My Pension Benefit Account (MyPBA) is an online application that allows participants in PBGC-trusteed plans to request estimates, apply for benefits, change their address, or request tax information, and more. MyPBA's FY 2020 score was 78, above target and up a point from FY 2019. MyPBA received high scores for the application's look and feel and use of plain language.

Premium Filers



Pension plan sponsors and their practitioners who file premiums with PBGC gave a FY 2020 satisfaction score of 76, exceeding the target of 74 and comparing very well to similar functions, such as IRS small-business and self-employed tax filers (67) and large-business and international tax filers (60). Filers give excellent scores to PBGC's personal service, written communication, and filing process.

My Pension Administration Account (My PAA) is an online application for pension plan practitioners to file premium information and payments with PBGC. The FY 2020 score was 90, well above the target of 80. Customers gave excellent scores to the content and site performance of My PAA.

In FY 2020, the My PAA practitioner filing system implemented key enhancements for the practitioner community, streamlining 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 regularly communicates with its customers and other stakeholders through the Corporation's website, email, social media, and other communications tools.

The Corporation's website (PBGC.gov) is regularly updated to provide relevant content to workers, retirees, employers, practitioners, and stakeholders within the pension community. To keep multiple audiences informed, PBGC created a centralized webpage with content regarding COVID-19 and its impact on agency operations.

Customers rated PBGC.gov 73, slightly below the target of 75. PBGC continuously improves the site's overall usability to provide customers with a user-friendly experience, incorporating visitor needs, customer feedback, and plain language principles to convey agency information and updates in a timely manner.

The Corporation also sends regulatory updates and announcements by email to customers and other stakeholders. Additionally, PBGC responds to inquiries from members of Congress, many writing on behalf of their constituents, and various stakeholders.

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 the 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 multi-year 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.

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). This year, independent reviews are being performed to evaluate how PIMS models contributions and risk transfer activity in the Single-Employer Program and the projection of active participant counts in the Multiemployer Program. Results are expected in FY 2021. Currently, PBGC is reviewing submitted proposals for a peer review on data inputs and methods in both Single-Employer and Multiemployer PIMS.

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 multi-year effort to improve the speed and performance of PIMS.

Enterprise Risk Management

During FY 2020, the Corporation continued the implementation of its risk management framework and completed an agency-wide risk assessment. The Corporation's top entity-wide risks were related to the projected Multiemployer Program insolvency. The Risk Management Council worked with program offices to continuously monitor the risks and the associated mitigation strategies.

Other significant milestones include:

- Increased agency-wide communication regarding Enterprise Risk Management (ERM), to foster a risk-aware culture.
- Development of metrics to measure effectiveness of risk mitigation strategies.
- Reevaluation of the Corporation's risk appetite and key indicators due to changes in risk exposure.
- Integration of ERM principles into key decision-making processes, such as strategic planning, organizational performance, and budgeting.

Regulatory and Related Activities

PBGC 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 2020, PBGC published:

- A final rule that makes clarifications, corrections, and improvements to four of PBGC's regulations. For example, the final rule amends the reportable events regulation to eliminate possible duplicative reporting of active participant reductions, clarifies when a liquidation occurs, and provides additional examples for certain reportable events. It also reduces financial and actuarial information reporting under section 4010 of ERISA by eliminating a requirement to submit individual financial information for each controlled group member; provides more time to file a post-distribution certification under a standard termination; and emphasizes that a plan does not qualify for the variable-rate premium exemption for the year in which it completes a standard termination if it engages in a non-de minimis spinoff in the same year.
- A final rule that updates the interest and mortality assumptions used to determine lump sum amounts under PBGC's benefit payments regulation.
- A final rule that updates PBGC's rules for administrative review of the Corporation's decisions.

In FY 2020, PBGC also:

- Complied with a number of Executive Orders on regulations and guidance, including Executive Order 13891, *Promoting the Rule of Law Through Improved Agency Guidance Documents*, by launching a searchable database that provides direct access to PBGC guidance documents, and by publishing a final rule providing PBGC's procedures on issuing guidance documents.
- Extended deadlines for premium payments and other filings with the Corporation, as part of the government's broader efforts to respond to the COVID-19 pandemic. Due dates for filings or actions

that would otherwise have been due between April 1, 2020, and July 15, 2020, were extended to July 15, 2020.

- Posted to PBGC.gov answers to frequently asked questions about how the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) affects missed contribution reporting requirements and premium filings for single-employer plans. The questions and answers also provide general information about the pandemic's impact on PBGC's Single-Employer Insurance Program operations.
- Issued a technical update providing relief related to the timing of contribution receipts that are included in the asset value used to determine certain variable rate premiums due in 2020. Because of this relief, a premium refund will be available to account for employer contributions received by the plan during the extended period provided by the CARES Act for contributions due during 2020. This relief was provided to advance the objective of Executive Order 13924, which directs agencies to use available authority to support economic recovery, including through non-regulatory actions.
- Issued a technical update providing guidance for cooperative and small-employer charity (CSEC) plans on how to submit premium filings for 2019 and 2020 to reflect the retroactive changes made in the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) to the way premiums are determined for these plans.

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 2020, the Corporation continued to focus on strengthening employee performance, increasing leadership engagement, expanding health and wellness programs, and recruiting and retaining 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 the 28 agencies in this category.

Federal Employee Viewpoint Survey

While the Federal Employee Viewpoint Survey (FEVS) is often conducted in May and June, the 2020 FEVS was conducted in September and October. Since PBGC is not expected to receive this year's results until early 2021, additional information about PBGC's work environment will be unavailable until next year.

Recruitment and Outreach

PBGC continues to promote recruitment and retention of disabled veterans via corporate and leadership training programs. As a result of the COVID-19 pandemic, PBGC participated in its first virtual career fair in September 2020.

The Corporation hired seven disabled veterans during FY 2020. Currently, the total disabled veteran population at PBGC is 31.

PBGC continues to reach out to veterans on social media such as LinkedIn and Facebook and partners with Military/Recruit, Wounded Warriors, Disabled Veterans of America, and area colleges/universities to share the Corporation's efforts to hire disabled veterans.

In support of mandatory onboarding requirements, including new employee orientation, and in response to COVID-19, PBGC quickly implemented a virtual onboarding process. This included hosting approximately 14 new employee orientations, which resulted in the successful onboarding of more than 80 PBGC new hires.

Diversity and Inclusion

PBGC's Diversity & Inclusion Council (Council) — which includes employees, affinity groups, and representatives from management and the union — developed and piloted a Senior Leader Brown Bag series titled "Creating Inclusion in a Virtual Work Environment." The sessions provided a forum for PBGC employees across the Corporation to engage in dialogue and share strategies for creating inclusion in a virtual work environment with senior leaders, colleagues, and co-workers. The Council also continued to offer "Be an Inclusion Agent" training to employees across the Corporation. The training was offered virtually and promoted strategies to create a supportive, welcoming, and collaborative work environment.

The Council formed a new employee resource group at PBGC for First Generation Professionals (FGPs) and those who would like to support or mentor them. FGPs are among the first in their immediate families to attend college or enter a professional work environment. The group's mission is to partner with the Corporation to promote the professional development of FGPs at PBGC.

Performance Management

PBGC's Performance Management Program ensures supervisors have the necessary tools and resources to effectively manage employee conduct as well as employee performance that align with and support organizational goals. In FY 2019, PBGC benchmarked performance management systems at other agencies and identified the best principles to successfully implement a two-tier performance management system agencywide in FY 2020. In addition, in FY 2020, PBGC provided 13 virtual performance management training courses further supporting performance activity.

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 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.

The Affirmative Employment Program (AEP) promotes equal employment opportunity by identifying discriminatory employment practices and policies that impede progress for all workforce demographics. The AEP presented events and activities including:

- Curriculum offered through YOUniversity, PBGC's bias awareness program.
- PBGC's Education & Enrichment Book Club, which promotes discussions around equal employment opportunity and diversity in the workplace.
- Equal Employment Opportunity-focused trainings concerning harassment prevention in the workplace.

- Collaboration with Affirmative Employment Committees to identify the employment needs of women, Hispanics, and persons with disabilities and addressing any barriers to opportunity for those groups.

The Corporation met its annual requirement to produce the annual State of the Agency MD-715 report and presented a high-level overview of information regarding PBGC's EEO program to PBGC's 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 among 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, 2019, recognized PBGC's sustained efforts when handling large volumes of routine transactions that fall neatly within the Corporation's existing policies and procedures. The report described responsive changes by PBGC to address prior Advocate recommendations, including offering informal pre-filing consultations and consolidating potentially omitted participant claims into one department. While these changes have had a positive effect on PBGC's interactions with its customers and the regulated community, the Advocate recommended that PBGC focus on initiatives that will improve its handling of complex cases and issues, as these matters have significant financial consequences for participants, plan sponsors, and PBGC. The Advocate highlighted the need for a critical review and reexamination 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

The Office of Information Technology (OIT) continues to deliver on its strategic goals and objectives as described in PBGC's Information Technology (IT) Strategic Plan. As a result of the COVID-19 pandemic, the Corporation has expanded teleworking capability for its workforce; enabled continuation of operations by delivering laptops, monitors, and other devices to teleworking employees; ensured access to shared drives and collaborative tools; and transitioned PBGC to a higher capacity conference bridge system to meet PBGC's telework needs.

And in addition to the significant accomplishments listed above, PBGC successfully:

- Completed the Office of Management and Budget (OMB) FY 2019 Annual Federal Information Security Management Act (FISMA) Report. PBGC was rated in the top 40 percent of agencies based upon IG FISMA ratings. PBGC improved its FISMA Risk Management Assessment grade from "At-Risk" to "Managed-Risk," while also improving its Security and Privacy Assessment and Authorization Program by updating and publishing PBGC's Risk Management Framework Process.

- Established its independent control assessments, vulnerability analysis, and information security continuous monitoring performance measures into an enterprise wide dashboard, complying with the Department of Homeland Security (DHS) Continuous Diagnostics and Mitigation standard.
- Completed actions related to two DHS Emergency Directives (20-02 and 19-01) and four Binding Operational Directives (18-02, 17-01, 16-03, 16-02) which dealt with mitigating critical cybersecurity vulnerabilities and strengthening government-wide cybersecurity posture.
- Developed and published an enterprise-wide Government-to-Government Shared Services Authorization Guidance (i.e., Authorized-to-Use), the first of its kind among small agencies.
- Provided National Institute of Standards and Technology standard-aligned Security Control Assessment services for security and privacy controls, through an established methodology, to bring risk awareness to stakeholders. Enhancements to the assessment program have had direct impacts on the productivity and quality of assessments that are currently being conducted. The Corporation has successfully assessed 223 controls to date.
- Established a data loss prevention program, which has successfully stopped over 300 possible breaches. Most events captured were accidental and have led to additional training for staff.
- Instituted PBGC's Insider Threat, Privacy & Security Reportal, in partnership with PBGC's Privacy Office, to better protect the Corporation's sensitive data and to improve the ease with which PBGC employees may report an Insider Threat, Privacy, or Security incident.
- Appointed PBGC's Chief Data Officer and constituted and operationalized PBGC's Data Governance Board in accordance with OMB Memorandum M-19-23.

Ensuring Ethical Practices

In FY 2020, 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. PBGC's ethics team continued its "Ethics in Brief" email notices to all PBGC employees on various topics of interest, including operational changes related to the COVID-19 pandemic and restrictions related to the Hatch Act. The ethics team also conducted a virtual Hatch Act training with over 300 employees in attendance.

Protecting Privacy Interests

Among PBGC's highest priorities is protecting the personal information of its participants, beneficiaries, employees, and contractors. In FY 2020, 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 includes reviewing PBGC's systems and processes to optimize the confidentiality, integrity, and availability of the information PBGC maintains.

In FY 2020, PBGC expanded the content of its Information Security and Privacy Awareness course for all PBGC employees and contractors. In addition to content about security incidents and breaches, the course includes content on insider threat and consolidated reporting. PBGC also hosted its annual Privacy Week virtually, which offered training and information about various topics in the privacy field. In addition, PBGC conducted annual inventories of its personally identifiable information holdings, and routinely acted to reduce the use of Social Security numbers to the minimum extent necessary.

Strengthening Transparency & Disclosure

PBGC continues to be a leader in the federal government when it comes to strengthening and promoting transparency. At PBGC, every employee is responsible for compliance with the Freedom of Information Act (FOIA). In FY 2020 the Disclosure Division sponsored 17 training, outreach, and awareness activities focused on promoting transparency and collaboration to ensure efficient and accurate processing of FOIA requests. PBGC also received and processed more than 3,500 FOIA requests during the fiscal year.

While PBGC staff largely worked remotely during the pandemic, the division leveraged the Corporation's use of technology and human capital management to respond to requests and inquiries, while achieving median processing times well below the 20-day statutory time limits. Additionally, the Corporation received a perfect scoring of "100" from the Department of Justice's Office of Information Policy 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 the OIG's audit recommendations. To facilitate timely completion and closure of such 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 2020, PBGC closed 42 audit recommendations, including 11 related to the three significant deficiencies identified in the Audit of PBGC's Fiscal Year 2018 and 2017 Financial Statements — Controls over the Present Value of Future Benefit Liability, Present Value of Nonrecoverable Future Financial Assistance, and Assess Controls and Configuration Management. Also, during FY 2020, PBGC received 33 new audit recommendations, resulting in 75 open at the end of FY 2020.

PBGC's OIG oversaw the annual financial statement audit completed by an independent public accounting firm, Ernst & Young LLP. In addition, during FY 2020, the OIG performed other audits and evaluations, including the following:

- **Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements (AUD-2020-2/FA-19-137-1), issued November 15, 2019.** In this report, the OIG stated PBGC continues to develop and execute corrective actions to remediate previously identified control deficiencies. PBGC management implemented certain corrective actions during FY 2019 that included continuing enhancements to the valuation tool to calculate its single largest liability and continuing implementation of IT solutions to mitigate system weaknesses and protect participant data. PBGC management is fully committed to working with the OIG and addressing identified weaknesses in a timely manner. In the report, the OIG identified the following two significant deficiencies:
    - Controls over the Actuarial Estimates.
    - Access Controls and Configuration Management.
- **PBGC's Fiscal Year 2019 Compliance with the Improper Payments Elimination and Recovery Act (EVAL-2020-10/EV-20-144), issued May 11, 2020.** As required by the Improper Payments Information Act (IPIA) of 2002, the OIG reviewed PBGC's compliance with improper payment requirements. For FY 2019, the Contractor and Purchase Card and the Multiemployer Financial Assistance payment streams were reviewed, and it was determined that both payment streams were not susceptible to significant improper payments. The OIG determined that PBGC was compliant with the applicable improper payment reporting requirements.
- **Evaluation of PBGC's Agreed Upon Procedures for Contract Closeouts (EVAL-2020-08/PA-19-140), issued March 20, 2020.** The OIG concluded that PBGC's Procurement Department (PD) could

have conducted better monitoring of the agreed-upon procedures (AUP) during the period of performance and did not follow up on findings from the contract closeout reports. Specifically, PD should have evaluated the status of the contracts included in the vendor contract closeout pool to verify such contracts were ready for closeout. Additionally, PD had not followed up on the recommendations provided in the final AUP reports and has not recouped funds due to overpayments, disallowed direct costs, or de-obligated funds. This inaction exposed PBGC to future liability. Without proper follow-up on the contract closeout AUP reports, PBGC is limited in its ability to prevent, detect, and recover from acquisition risks, such as property loss, financial liability, and overpayments. OIG identified $293,000 of funds put to better use and $173,000 of questioned costs. The OIG made seven recommendations to the Corporation and corrective actions are ongoing.

- **Evaluation of PBGC's FY 2018 Annual Performance Report (EVAL-2020-09/IN-19-139), issued March 30, 2020.** The OIG found no material misstatements; however, it did find the Corporation has not implemented the OMB Circular A-11, Part 6. Specifically, the Corporation did not have an agency-wide validation and verification policy in place to ensure data accuracy. The OIG made two recommendations to the Corporation and corrective actions are ongoing.
- **PBGC Needs to Improve Incentive Contracting Practices (AUD-2020-11/PA-19-138), issued September 23, 2020.** The OIG found the Procurement Department (PD) administered the Cost-Plus-Award-Fee contract inconsistent with Federal Acquisition Regulations by not designing performance metrics for key factors required for an aggregate measure of performance. PD similarly awarded the contractor the award fee after considering only one of the three factors (cost, schedule, and performance) required by the FAR. OIG's review of award-fee memorandums did not disclose any discussion of cost or schedule, only performance. Further, OIG found that during the pre-award phase PBGC failed to identify that a key person in the company's proposal did not meet educational requirements outlined in the proposal. Additionally, PD lacked internal controls over contract file maintenance; specifically, it did not follow the existing file room check-in/out procedure. As a result, PBGC's position in contract administration was weakened. The OIG made seven recommendations to the Corporation which included unsupported costs of $5.1 million in award fee payment and $175,839 in questioned costs. Corrective actions are ongoing.
- **FY 2019 Purchase Card Risk Assessment (SR-2020-12/SR-20-150), issued September 25, 2020.** The OIG found that PBGC's policies and procedures are designed to provide reasonable assurance for implementing and managing the PBGC charge card program and to mitigate the potential for fraud and misuse. However, because of limited and delayed program oversight, OIG elevated the level of risk of illegal, improper, or erroneous purchases from *low* to *medium*. The OIG determined this elevated risk warrants a separate review of PBGC's charge card program in the near future.

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

Government Accountability Office (GAO)

GAO's high-risk report dated March 2019 continued to include PBGC's Single-Employer and Multiemployer Programs as one of 35 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.

PBGC also monitors progress in addressing GAO recommendations. As of September 30, 2020, 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 2020 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 34 million of America's workers and retirees participating in more than 24,500 private-sector defined benefit pension plans. The Corporation receives no funds from general tax revenues. 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

PBGC's Memorandum Total net position increased by $8,239 million, decreasing the Corporation's Memorandum Total negative net position (deficit) to $48,271 million as of September 30, 2020, from $56,510 million as of September 30, 2019. 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 decrease in the Memorandum Total deficit. The increase in the Memorandum Total net position is largely due to $12,650 million in investment income, $6,013 million in premium and other income, and $1,137 million in multiemployer credits from insolvent and probable plans, offset by $6,353 million in charges due to change in interest factors, $2,688 million charge due to expected interest, and $1,926 million in losses from completed and probable terminations. Memorandum Total actuarial charges totaled $9,055 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, 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. The overall FY 2020 impact from the decrease in interest factors resulted in $11,192 million in charges that consists of a $6,207 million charge for terminated single-employer plans, a $4,839 million charge for probable multiemployer plans, and a $146 million charge for insolvent multiemployer plans.

Multiemployer Financial Position

- The Multiemployer Program's net position slightly improved by $1,417 million, resulting in a negative net position of $63,749 million as of September 30, 2020. The primary factor for this improvement was the deletion of the United Mine Workers 1974 Pension Plan which represented $6,600 million in probable liabilities, attributable to a legislative change, if not for this change the Multiemployer Program's negative net position would have increased. The Multiemployer Program's total assets had a modest increase from FY 2019 to FY 2020 year-end, so nearly the entire $1,417 million increase in the FY 2020 Multiemployer net position is the result of the program's total liabilities decreasing from $68,024 million in FY 2019 to $66,893 million at FY 2020 year-end.
- PBGC's FY 2019 Projections Report estimated that the Multiemployer Program has a very high likelihood of insolvency during FY 2026 and that insolvency is a near certainty by the end of FY 2027. When the program becomes insolvent, PBGC will be unable to provide financial assistance to pay the

current level of guaranteed benefits in insolvent plans. At that time, the only money available to provide financial assistance will be incoming multiemployer premiums and thus PBGC will be only able to pay financial assistance to the extent of PBGC's multiemployer premium income.

- The Multiemployer Program's deficit would have deteriorated if not for the favorable impact of a legislative change related to the United Mine Workers 1974 Pension Plan. The $1,417 million decrease in the Multiemployer Program's FY 2020 deficit is due to $1,137 million in credits from insolvent and probable plans-financial assistance (primarily due to the removal of one large multiemployer plan from the probable insolvent inventory), $322 million in net premium income, $180 million in fixed investment gains, and $34 million in credits to actuarial adjustments, offset by $146 million in charges in due to change in interest factors, $68 million in charges in due to expected interest on accrued liabilities, and $42 million in administrative and investment expenses.

  Nine new plans with net claims of $2,179 million were added to the multiemployer inventory (including three new insolvent plans, one of which was reasonably possible in FY 2019).

Multiemployer Probable Insolvent Activity

- For FY 2020, credits from insolvent and probable plans-financial assistance were $1,137 million (see Note 7). The primary factors for these credits were due to seven deleted probable plans of $7,000 million, of which $6,600 million was attributable to a legislative change regarding the United Mine Workers 1974 Pension Plan, a favorable change due to actual investment performance on probable plan assets of $1,491 million, and favorable credits due to data changes of $1,359 million, offset by losses resulting from the change in interest factors of $4,839 million (which resulted from decreases in market interest rates), charges from the addition of six new probable plans of $2,065 million, charges due to expected interest of $1,362 million on accrued liabilities, and other miscellaneous actuarial charges of $447 million.

Multiemployer Insolvent Activity

- The $187 million increase in insolvent plan liability (i.e., plans currently receiving financial assistance) from $2,807 million at September 30, 2019 to $2,994 million at September 30, 2020, was primarily due to $146 million in due to the change in interest factors, and a $68 million charge due to expected interest on accrued liabilities, offset by $34 million in actuarial adjustment credits. PBGC paid $173 million in financial assistance consisting of $164 million in financial assistance to 94 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 2020 net position improved by $6,822 million, resulting in a positive net position of $15,478 million as of September 30, 2020. The primary factors of the Single-Employer Program's FY 2020 net income of $6,822 million included a gain of $12,470 million in investment income and $5,691 million in net premium and other income. These favorable factors for the Single-Employer Program were offset by $6,207 million in charges due to change in interest factors, which resulted from decreases in market interest rates, $2,620 million in charges due to expected interest related to PBGC's liabilities as of September 30, 2019, $1,926 million in losses from completed and probable terminations,

$538 million in administrative, investment, and other expenses, and $48 million in charges from actuarial adjustments.

INVESTMENTS

- **Global Public Stock** – Global equities recovered from the sharp sell-off in the second quarter of FY 2020 to end the year with double digit returns. U.S. equities were the best performing, followed by emerging market equities. Developed non-U.S. equities were flat for the year.

  For FY 2020, global equity market returns generated $2,087 million of investment income from equity investments compared to investment income of $61 million for FY 2019 (7.41 percent return for Total Global Public Stock in FY 2020 versus 2.49 percent in FY 2019).

- **Global Bonds** – The Treasury yield curve shifted down and steepened in FY 2020, with yields at the shorter end of the curve falling more than yields at the longer end. Investment-grade bonds posted strong returns, but lagged equities. Government/Treasury bonds outperformed corporate bonds, and long-duration bonds outperformed shorter-duration bonds. High-yield bonds and emerging market debt also posted positive returns.

  For FY 2020, global fixed income generated a gain of $10,687 million from fixed income investments compared to a gain of $14,792 million for FY 2019. This reflects lower fixed income returns (11.51 percent return for Total Global Bonds in FY 2020 versus 19.98 percent in FY 2019).

- **Real Estate Investment Trusts (REITS)** – REITs struggled during FY 2020 and were not able to recover the losses incurred during the second quarter due to significant uncertainty about the long-term impact of the Coronavirus Disease 2019 (COVID-19) pandemic. REITs ended the year with double digit declines.

  For FY 2020, REITS generated a loss of $118 million from real estate investments compared to a gain of $386 million for FY 2019 (-15.92 percent return for US REITs in FY 2020 versus 19.11 percent in FY 2019).

- **Combined Investment Return** – FY 2020 investment returns contributed to a total PBGC combined investment gain of $12,650 million. PBGC's Total Fund Composite (excluding transition accounts) earned 10.55 percent in FY 2020, exceeding the Total Fund Benchmark return of 9.66 percent.

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 $6,299 million in FY 2020 and $6,180 million in FY 2019. PBGC assumed responsibility for the benefit payments of an additional 56,405 workers and retirees in the 69 single-employer plans that were trusteed during FY 2020.

- FY 2020 combined (Memorandum Total) net premium income decreased by $677 million to $5,985 million compared to FY 2019 net premium income of $6,662 million. The primary components of the combined net premium income were variable rate premium (VRP) income of $3,770 million and flat rate premium income of $2,198 million. Overall, this represented a 10 percent year-to-year decrease in combined premium income and is largely due to (a) lower plan underfunding, offset by (b) higher premium rates for both the flat and variable rate premiums. Variable rate premiums were also lower due to $62 million in premium refunds for several Cooperative and Small-Employer Charity (CSEC) plans in the second, third, and fourth quarters of FY 2020, pursuant to the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) which was enacted on December 20, 2019 and resulted in significantly lower premium rates for CSEC plans (i.e., pre-Pension Protection Act of 2006 premium rates).

- During FY 2020, PBGC assumed financial responsibility for 67 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. None of these 67 terminated plans were specifically identified as a probable termination by PBGC in FY 2019. These 67 terminated plans had an average funded ratio of about 62 percent, and these terminations resulted in an aggregate net loss to PBGC of $2,077 million (see Note 12).
- As of September 30, 2020, there was one single-employer plan 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, 2020, the present value of multiemployer nonrecoverable future financial assistance of $66,865 million consists of 91 insolvent plans ($2,994 million), 61 terminated plans not yet insolvent but probable ($2,072 million), and 40 ongoing plans that are projected to exhaust plan assets within 10 years and are classified as probable ($61,799 million). Included in the insolvent plan liability is $18 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 increased to $176,190 million in FY 2020, a $21,517 million increase compared to $154,673 million in FY 2019. This increase is primarily due to the decrease in the interest factors used for estimating exposure and the increase 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 $9,312 million in FY 2020, a $1,559 million decrease from the $10,871 million in FY 2019. The primary reason for the decrease in exposure was due to the net effect of removing three larger plans that are no longer classified as reasonably possible ($1,918 million decrease). These three plans had net liabilities greater than the net liabilities of five new plans classified as reasonably possible. Another driver of the decrease was the decline in the reasonably possible small plan bulk reserve. The drop in yield curve rates had an offsetting effect on the exposure ($702 million increase).

KEY SINGLE-EMPLOYER AND MULTIEMPLOYER RESULTS

(Dollars in millions)		**FY 2020**		FY 2019
Insurance Activity				
SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS MEMORANDUM TOTAL				
Single-Employer Benefits Paid	**$**	**6,125**	$	6,020
Multiemployer Financial Assistance Paid	**$**	**173**	$	160
Retirees Receiving Benefits (at end of year)		**1,064,083**		954,000
Total Participants Receiving or Owed Benefits (at end of year)		**1,580,000**		1,555,000
New Underfunded Terminations		**67**		47
Terminated/Trusteed Plans (combined to date)		**5,041**		4,975
Plans That Have Received Financial Assistance		**91**		85
Summary of Operations				
SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS MEMORANDUM TOTAL				
Premium Income, Net	**$**	**5,985**	$	6,662
Losses (credits) From Completed and Probable Terminations	**$**	**1,926**	$	91
Losses (credits) From Financial Assistance	**$**	**(1,137)**	$	11,662
Investment Income	**$**	**12,650**	$	15,262
Actuarial Charges and Adjustments	**$**	**9,055**	$	14,749
Financial Position				
SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS MEMORANDUM TOTAL				
Total Assets	**$**	**146,616**	$	130,926
Total Liabilities	**$**	**194,887**	$	187,436
Net Income (Loss)	**$**	**8,239**	$	(5,073)
Net Position	**$**	**(48,271)**	$	(56,510)
SINGLE-EMPLOYER PROGRAM				
Total Assets	**$**	**143,472**	$	128,068
Total Liabilities	**$**	**127,994**	$	119,412
Net Income (Loss)	**$**	**6,822**	$	6,217
Net Position	**$**	**15,478**	$	8,656
MULTIEMPLOYER PROGRAM				
Total Assets	**$**	**3,144**	$	2,858
Total Liabilities	**$**	**66,893**	$	68,024
Net Income (Loss)	**$**	**1,417**	$	(11,290)
Net Position	**$**	**(63,749)**	$	(65,166)

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

(Dollars in millions)		Fiscal Year Ended September 30, 2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Insurance Activity:											
Benefits paid	$	**6,125**	6,020	5,792	5,699	5,659	5,570	5,522	5449	5,384	5,340
Participants receiving monthly benefits at end of year[1]		**984,474**	887,138	861,371	839,772	838,493	825,666	812,608	799,210	781,160	775,300
Plans trusteed and pending trusteeship by PBGC[2]		**5,031**	4,965	4,919	4,845	4,769	4,706	4,640	4,557	4,446	4,292
Summary of Operations:											
Premium income, net	$	**5,663**	6,352	5,518	6,739	6,379	4,138	3,812	2,943	2,642	2,072
Other income	$	**28**	47	38	184	25	11	22	38	13	17
Investment income (loss)	$	**12,470**	14,820	1,502	5,363	8,648	324	6,439	2,741	8,792	3,446
Actuarial charges and adjustments (credits)	$	**8,875**	14,409	(6,468)	(950)	11,515	9,504	1,864	3,054	14,874	6,561
Losses (credits) from completed and probable termination	$	**1,926**	91	(322)	3,063	(417)	(780)	(115)	468	2,006	201
Administrative and investment expenses	$	**538**	488	489	481	465	446	464	434	443	424
Other expenses	$	**16**	14	6	26	4	30	17	5	-	21
Net income (loss)	$	**6,822**	6,217	13,353	9,666	3,485	(4,727)	8,043	1,761	(5,876)	(1,672)
Summary of Financial Position:											
Cash and investments[3]	$	**134,244**	118,119	101,310	96,830	89,596	80,090	81,215	77,881	76,941	71,292
Total assets	$	**143,472**	128,068	109,941	106,196	97,342	85,735	88,013	83,227	82,973	78,960
Present value of future benefits	$	**120,430**	113,100	101,866	111,280	113,704	106,926	102,774	105,018	105,635	92,953
Net position	$	**15,478**	8,656	2,439	(10,914)	(20,580)	(24,065)	(19,338)	(27,381)	(29,142)	(23,266)

[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)		**2020**	2019	2018	2017	2016	2015	2014	2013	2012	2011
Insurance Activity:											
Financial assistance paid	$	**173**[1]	160	153	141	113	103	97	89	95	115
Plans that have received financial assistance[2]		**91**	85	78	72	65	57	53	44	49	49
Summary of Operations:											
Premium income, net	$	**322**	310	292	291	282	212	122	110	92	92
Other income	$	**-**	-	-	-	-	-	-	-	-	-
Investment income (loss)	$	**180**	442	(52)	(53)	143	68	75	(96)	91	148
Actuarial charges and adjustments (credits)	$	**180**	340	(147)	(23)	167	135	95	41	164	99
Losses (credits) from insolvent and probable plans - financial assistance	$	**(1,137)**	11,662	(10,830)	6,438	6,768	9,963	34,260	2,969	2,466	1,461
Administrative and investment expenses	$	**42**	40	41	42	39	32	18	25	20	14
Net income (loss)	$	**1,417**	(11,290)	11,176	(6,219)	(6,549)	(9,850)	(34,176)	(3,021)	(2,467)	(1,334)
Summary of Financial Position:											
Cash and investments[3]	$	**2,951**	2,676	2,137	2,080	2,037	1,768	1,701	1,715	1,804	1,725
Total assets	$	**3,144**	2,858	2,311	2,262	2,204	1,924	1,769	1,719	1,807	1,739
Present value of future benefits	$	**-**	-	-	-	-	-	-	-	1	1
Nonrecoverable future financial assistance, present value	$	**66,865**	67,995	56,153	67,283	61,009	54,186	44,190	9,931	7,010	4,475
Net position	$	**(63,749)**	(65,166)	(53,876)	(65,052)	(58,833)	(52,284)	(42,434)	(8,258)	(5,237)	(2,770)

[1] This amount consists of $164 million in financial assistance paid to 91 insolvent plans and $9 million to PBGC's first facilitated merger under MPRA (See Note 7).
[2] 95 plans received financial assistance in FY 2020, 91 are expected to continue to receive financial assistance. Previously in FY 2019, 89 plans received financial assistance and as of September 30, 2019, there were 85 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 59, and the accompanying notes beginning on page 63.

II. FINANCIAL AND PROGRAM RISKS

As of September 30, 2020, the Single-Employer and Multiemployer Programs reported net positions of $15,478 million and ($63,749) million, respectively. The Single-Employer Program's net position improved by $6,822 million, resulting in a positive net position of $15,478 million. The Multiemployer Program's net position deficit slightly improved by $1,417 million, to ($63,749) million. Notwithstanding this Memorandum Total negative net position, the Corporation has $143,472 million in single-employer assets and $3,144 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 Multiemployer Program does not have the resources to fully satisfy its long-term obligations. The FY 2019 Projections Report states that the Multiemployer Program estimates a very high likelihood of insolvency during FY 2026, and that insolvency is a near certainty by the end of FY 2027. (For more information please refer to Section V. Overall Capital and Liquidity and Section VI. Single-Employer and Multiemployer Exposure.)

In FY 2020, 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 Further Consolidated Appropriations Act of 2020 and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), both enacted in FY 2020, contain provisions relating to PBGC's insurance programs:

Further Consolidated Appropriations Act, 2020

The Further Consolidated Appropriations Act, 2020 (P.L. 116-94), enacted December 20, 2019, contains the following provisions related to PBGC:

- ***United Mine Workers of America 1974 (UMWA) multiemployer plan.***[1] Subject to a cap, the U.S. Treasury will make annual transfers of unappropriated general revenues to the UMWA until the plan is fully funded. Transfers are effective retroactively, beginning with FY 2017. The plan will be subject to certain restrictions and additional reporting requirements. Prior to the new law, the plan had projected that it would become insolvent in its July 1, 2022 – June 30, 2023 plan year.
- ***Cooperatives and small employer charities (CSEC).***[2] Premium rates for single-employer plans sponsored by a CSEC are set to a $19 per participant flat-rate premium and a $9 per $1,000 unfunded vested benefits variable-rate premium (VRP), with no indexing. The premium rates applicable to other single-employer plans for 2020 are $83 per participant and a $45 per $1,000 unfunded vested benefits VRP. In addition, the liability underlying the CSEC VRP is now determined using the discount rate and mortality assumption the plan uses for funding purposes, resulting in significantly lower unfunded vested benefits than if determined using the assumptions all other single-employer plans use for this purpose. The premium relief for CSEC plans is retroactive to plan years beginning in 2019.
- ***Certain newspaper plans.***[3] Elective relief from the plan funding rules is provided for certain "community newspaper" plans and plans of members of their controlled groups. PBGC variable-rate premiums are required to be calculated without regard to election of this funding relief. See Note 11 for additional detail.

Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act (P.L. 116-136), enacted March 27, 2020, extended the due date for minimum required contributions to single-employer plans to January 1, 2021.[4] Minimum required contributions that would otherwise be due during calendar year 2020 (including quarterly installments) are now considered timely if made by January 4, 2021. PBGC issued guidance under Technical Update 20-2 (September 23, 2020 and revised November 16, 2020) that

[1] Sec. 102 of the Bipartisan American Miners Act of 2019 (Division M of P.L. 116-94).
[2] Sec. 206 of the Setting Every Community Up for Retirement Enhancement Act of 2019 (Division O of P.L. 116-94) (SECURE Act).
[3] Sec. 115 of the SECURE Act.
[4] Sec. 3608 of Division A of P.L. 116-136.

permits plans to recognize such deferred, prior year contributions as plan assets for variable-rate premium purposes (see section on Impact of COVID-19 Relief on Variable Rate Premium).

REGULATORY REVIEW AND REFORM

In FY 2020, PBGC's regulatory priorities focused on reviewing its current regulations to protect plan participants and reduce burdens on pension plans and plan sponsors.

As part of its review of its single-employer plan regulations, PBGC published several final rules. Those rulemakings included a final rule that makes clarifications, corrections, and improvements to four of PBGC's regulations. For example, the final rule amends the reportable events regulation to eliminate possible duplicative reporting of active participant reductions, clarify when a liquidation occurs, and provide additional examples for certain reportable events. It also reduces financial and actuarial information reporting under section 4010 of ERISA by eliminating a requirement to submit individual financial information for each controlled group member; provides more time to file a post-distribution certification under a standard termination; and emphasizes that a plan does not qualify for the variable-rate premium exemption for the year in which it completes a standard termination if it engages in a non-de minimis spinoff in the same year.

PBGC also published a final rule that modernizes the interest and mortality assumptions used to determine lump sum amounts under PBGC's benefit payments regulation. PBGC's rules for administrative review of the Corporation's decisions were also updated in a final rule.

In addition, PBGC in FY 2020:

- Complied with a number of Executive Orders on regulations and guidance, including Executive Order 13891, Promoting the Rule of Law Through Improved Agency Guidance Documents, by launching a searchable guidance document database that provides users direct access to PBGC guidance documents, and by publishing a final rule providing PBGC's procedures on issuing guidance documents.
- Extended deadlines for premium payments and other filings with the Corporation, as part of the government's broader efforts to respond to the COVID-19 pandemic. Due dates for filings or actions that would otherwise have been due between April 1, 2020 and July 15, 2020, were extended to July 15, 2020.
- Posted to PBGC.gov answers to frequently asked questions about how the CARES Act affects missed contribution reporting requirements and premium filings for single-employer plans. The questions and responses also provide general information about the pandemic's impact on PBGC's Single-Employer Insurance Program operations.
- Issued a technical update providing relief related to the timing of contribution receipts includable in the asset value used to determine certain variable rate premiums due in 2020.
- Issued a technical update providing guidance for CSEC plans on how to submit premium filings for 2019 and 2020 to reflect the retroactive changes made in the SECURE Act of 2019 to the way premiums are determined for these plans.

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 financial assistance to insolvent covered plans to pay benefits at the level guaranteed by law.

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 59-62, 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 plan terminations and 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, 2020, 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 23.5 million people (excluding those plans that PBGC has trusteed), down from the 24.7 million people PBGC covered in FY 2019. The number of covered ongoing plans at the end of FY 2020 was about 23,200.

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 fall in calendar year 2021 will be 3.8 percent higher than the limits that applied for 2020 as shown below for sample ages:

MAXIMUM GUARANTEED ANNUAL BENEFIT PAYABLE AS A SINGLE LIFE ANNUITY

Age	Plans Terminating in 2021	Plans Terminating in 2020
70	$120,199	$115,785
65	$72,409	$69,750
60	$47,066	$45,338
55	$32,584	$31,388

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 $6,822 million in FY 2020. The primary drivers of this income included: investment income of $12,470 million and net premium income and other income of $5,691 million. This was offset by charges of $6,207 million due to an decrease in interest factors (which has the effect of increasing benefit liabilities and actuarial charges), $2,620 million in actuarial charges due to expected interest on accrued liabilities, $1,926 million in losses from completed and probable terminations, $403 million in administrative and other expenses, $135 million in investment expenses, and $48 million in charges from actuarial adjustments.

PBGC's FY 2020 Single-Employer Program realized net income of $6,822 million compared to FY 2019 net income of $6,217 million. This favorable $605 million year-over-year change was primarily attributable to:

(1) a decrease in actuarial charges due to change in interest factors of $6,063 million,
(2) a decrease in actuarial charges due to expected interest of $330 million,
(3) a decrease in investment income of $2,350 million (a gain of $12,470 million in FY 2020 compared to a gain of $14,820 million in FY 2019),
(4) an increase in losses from completed and probable terminations of $1,835 million (see "Single-Employer Underwriting Activity" below),
(5) an increase in actuarial adjustment charges of $859 million,
(6) a decrease in net premium and other income of $708 million, and
(7) an increase in administrative, investment, and other expenses of $36 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 $3,314 million in FY 2020, $3,426 million less than the FY 2019 gain of $6,740 million. This $3,426 million decrease from the previous year was primarily due to $1,835 million increase in losses from completed and probable terminations, $859 million unfavorable change in actuarial adjustment credits, $708 million decrease in single-employer net premium and other income, and a $24 million increase in administrative and other expenses.

Premium and other income from underwriting activity decreased (from $6,399 million in FY 2019 to $5,691 million in FY 2020), largely due to a decrease in net premium income from plan sponsors (from $6,352 million in FY 2019 to $5,663 million in FY 2020). This 11 percent decrease in net premium income was largely due to (a) lower plan underfunding, offset by (b) higher premium rates for both the flat and variable rate premiums. Variable rate premiums were also lower due to $62 million in premium refunds for several CSEC plans in the second, third, and fourth quarters of FY 2020, pursuant to the SECURE Act of 2019 (enacted December 20, 2019) resulting in significantly lower premium rates for CSEC plans (i.e., pre-Pension Protection Act of 2006 premium rates). Other income, consisting of interest on recoveries from sponsors, decreased from $47 million in FY 2019 to $28 million in FY 2020.

Annual variable rate premium (VRP) income, paid by underfunded single-employer plans, decreased by $718 million to a total of $3,770 million. The prior year's VRP rate of $43 per $1,000 of underfunding (capped at $541 per participant) increased to $45 per $1,000 of underfunding (capped at $561 per participant) for plan years beginning in 2020. Annual flat rate premium income for the Single-Employer Program decreased $8 million to a total of $1,874 million in FY 2020. Factors contributing to this decrease include premium refunds in the second, third, and fourth quarters of FY 2020 resulting from amended 2019 filings for several CSEC plans and the FY 2020 Earned Income Accrual adjustment for CSEC plans to reflect the lower CSEC rates - offset by increases in the per participant flat rate premium for non-CSEC plans from $80 to $83 per participant for plan years beginning in 2020.

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" increased from a loss of $91 million in FY 2019 to a loss of $1,926 million in FY 2020. The $1,926 million loss is due to $2,077 million in charges related to new plan terminations and $29 million in losses from probable claims, offset by $180 million credit 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, 2020, was $202 million, while the net claim as of September 30, 2019, was $173 million. This $29 million increase is due to the termination of one probable plan with a net claim of $103 million, offset by a decrease in the reserve for small unidentified probables of $74 million (see Note 6).

Single-employer administrative expenses increased by $22 million from $365 million in FY 2019 to $387 million in FY 2020.

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

- $119,576 million – trusteed plans (4,998 plans),
- $635 million – plans pending termination and trusteeship (33 plans),
- $202 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, 2020), and
- During FY 2020, PBGC terminated 67 underfunded single-employer plans with a net claim of $2,077 million, with none accrued as probable.

IMPACT OF COVID-19 RELIEF ON VARIABLE RATE PREMIUM

On March 27, 2020, President Donald J. Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provides that certain pension contributions that would otherwise be due during 2020 are due on January 1, 2021 (see MD&A Section III, Legislative and Regulatory Developments). On November 16, 2020, the IRS issued Notice 2020-82 that stated that the IRS will consider a contribution with an extended due date of January 1, 2021 to be timely if it is made by January 4, 2021.

Since the CARES Act did not provide any special rules related to PBGC premiums, PBGC issued Technical Update 20-2 (issued September 23, 2020 and revised November 16, 2020) to provide relief related to the timing of contribution receipts includable in the asset value used to determine variable rate premiums due in 2020. Under this technical update, for premium filings due on or after March 1, 2020, and before January 1, 2021, the date by which prior year contributions must be received by the plan, to be included in plan assets (under § 4006.4(c) of PBGC's premium rates regulation is extended to January 4, 2021).

Because of this relief, the discounted value of a "prior year contribution" received after the premium is filed and on or before January 4, 2021, may be included in the plan's asset value used to determine their variable rate premium. Thus, if such a contribution is made, the premium filing may be amended (no later than February 1, 2021) to revise the originally reported asset value resulting in lower variable rate premium.

The intent of these plan sponsors and the dollar amount of their "prior year contributions" to be made by January 4, 2021, cannot be estimated by PBGC with any practical certainty. Accordingly, PBGC's FY 2020 financial statements do not include any effects of this relief, as described in the subsequent events disclosure Note 18.

SINGLE-EMPLOYER FINANCIAL ACTIVITY

Single-employer financial activity reflected a gain of $3,508 million in FY 2020, $4,031 million more than the FY 2019 loss of $523 million. This is due to $12,470 million in investment income (compared with $14,820 million in FY 2019), offset by $8,827 million in actuarial charges (compared with a charge of $15,220 million in FY 2019) and $135 million in investment expense. 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 charge of $6,207 million due to the change in interest factors occurred in FY 2020 due to a decrease in the interest factors from FY 2019.

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 2020 (2.36%) decreased compared to the factor at the beginning of FY 2019 (2.95%). The Single-Employer Program's expected interest charges decreased in FY 2020 (from $2,950 million in FY 2019 to $2,620 million in FY 2020).

PBGC's single-employer Total Present Value of Future Benefits (PVFB) increased from $113,100 million at September 30, 2019 to $120,430 million at September 30, 2020.

Components of PBGC's single-employer PVFB of $120,430 million are as follows:

- Trusteed plans – $119,576 million
- Plans pending termination and trusteeship – $635 million
- Settlements and judgements – $17 million
- Claims for probable terminations – $202 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, 2020 starts with an

[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).

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. The curve of spot rates for September 30, 2019 starts with an interest factor of 2.36% in year 1 and changes as the future period for discounting gets longer until year 31 when the factor becomes 1.98% for the remaining years.

To determine future mortality rates, PBGC used the same mortality table and updated the generational projection scale from MP-2018 used for September 30, 2019 to MP-2019 used for September 30, 2020. 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 and Changes in Net Position.

IV.B MULTIEMPLOYER PROGRAM RESULTS OF ACTIVITIES AND TRENDS

The Multiemployer Program covers about 10.9 million participants in about 1,400 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, 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 60, 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 2020, PBGC's obligations for future financial assistance to multiemployer plans decreased from $67,995 million at September 30, 2019, to $66,865 million at September 30, 2020, a decrease of $1,130 million or 2 percent (see Note 7). The largest component of the $66,865 million total in future financial assistance liability is the $63,871 million liability for probable insolvent plans, of which $50,896 million is attributable to the 10 largest multiemployer probable plans.

MULTIEMPLOYER OVERALL FINANCIAL RESULTS

The Multiemployer Program reported net income of $1,417 million in FY 2020 compared with a net loss of $11,290 million in FY 2019. This resulted in the Multiemployer's FY 2020 negative net position to be $63,749 million. Absent the favorable impact of a legislative change related to the United Mine Workers 1974 Pension Plan, the Multiemployer Program's negative net position would have increased. Results of the Multiemployer Program are reported in the Underwriting and Financial sections of the Statements of Operations and Changes in Net Position on page 61. This resulted in a negative net position of $63,749 million in FY 2020 compared with a negative net position of $65,166 million in FY 2019.

The improvement in net position is attributable to the following key drivers impacting Multiemployer Program liabilities:

(1) Deletion of seven probable plans and one insolvent plan from the multiemployer inventory of plans that resulted in a $7,000 million reduction in program liabilities.

(2) A favorable change due to actual investment performance of plan assets that resulted in a $1,491 million reduction in program liabilities.
(3) A favorable credit due to data change resulted in a $1,354 million reduction in program liabilities.
(4) An unfavorable change in the pension liability valuation interest factors, which generated a $4,985 million increase in Multiemployer Program liabilities ($4,839 million related to multiemployer probable plans and $146 million to multiemployer insolvent plans).
(5) Addition of nine new plans that resulted in a $2,179 million increase in program liabilities.
(6) Expected interest on benefit liabilities, which resulted in a $1,430 million increase in program liabilities.
(7) PBGC approved its first facilitated merger of two multiemployer plans under MPRA. The merger resulted in an additional $18 million in liability to PBGC's insolvent plan inventory.

PBGC uses a curve of interest factors to determine the actual present value of estimated benefit payments. 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. For September 30, 2019, the curve of spot rates starts with an interest factor of 2.36% in year 1 and changes as the future period for discounting gets longer until year 31 when the factor becomes 1.98% for the remaining years. (See Note 6 for the table of interest factors used.)

During FY 2020, PBGC paid $173 million in financial assistance consisting of $164 million in financial assistance to 94 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 91 insolvent plans expected to continue receiving financial assistance covering about 79,600 participants in pay status with an additional 27,600 participants entitled to benefits once they retire. Comparatively, in FY 2019, PBGC paid $160 million in financial assistance to 89 insolvent plans, covering about 66,900 participants in pay status at the time.

MULTIEMPLOYER UNDERWRITING ACTIVITY

As shown on the Statements of Operations and Changes in Net Position on page 61, underwriting activity reflected a net gain of $1,453 million in FY 2020. This was attributed to a $1,137 million credit from financial assistance for insolvent and probable plans (primarily due to deleted plans of $7,000 million of which $6,600 million was attributed to the United Mine Workers 1974 Pension Plan, change due to actual investment rates of return of $1,491 million, and data changes of $1,359 million, offset by unfavorable charges to multiemployer probable plans of $4,839 million from the change in interest factors, charges from new plans of $2,065 million, and charges due to expected interest on benefit liabilities of $1,362 million), $322 million in net premium income, and $34 million in credits due to actuarial adjustments, offset by $40 million in administrative expense.

The Bipartisan American Miners Act of 2019, enacted December 2019, provides for annual payments from the U.S. Treasury to the United Mine Workers 1974 Pension Plan. In FY 2020, the amount transferred to the UMWA fund under this legislation totaled $1.57 billion (including retroactive transfers for fiscal years 2017 through 2019). Given that these payments are projected to allow the UMWA fund to remain solvent, it is not expected to require financial assistance from PBGC. Therefore, the plan is no longer classified as a probable insolvent plan, contributing to a reduction in liability.

The multiemployer flat rate premium for plan years beginning in 2020 increased to $30 per participant from the 2019 rate of $29 per participant. Net premium income increased by $12 million from $310 million in FY 2019 to $322 million in FY 2020.

MULTIEMPLOYER FINANCIAL ACTIVITY

As shown on the Statements of Operations and Changes in Net Position on page 61, financial activity reflected a net loss of $36 million for FY 2020. This was attributed to charges of $146 million due to change in interest factors for plans known to be insolvent and plans about to begin receiving financial assistance, a charge of $68 million due to expected interest, and $2 million of investment expense, offset by a $180 million gain from fixed income investments. 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 2020 (2.36%) decreased compared to the factor at the beginning of FY 2019 (2.95%). The multiemployer expected interest charges decreased from $74 million in FY 2019 to $68 million in FY 2020.

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, 2020 total combined PVFB for the Missing Participants Program was $188 million for the participants whose benefits were transferred to PBGC, compared to $116 million at September 30, 2019, 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 ($86 million in FY 2020 compared to $30 million in FY 2019) 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; however, barring changes, the Multiemployer Program will with certainty not be able to fully satisfy its long-term obligations to plan participants. The FY 2019 Projections Report shows that the Multiemployer Program estimates a very high likelihood of insolvency during FY 2026, and that insolvency is a near certainty by the end of FY 2027.

FY 2020 Memorandum Total premium cash receipts totaled $6,886 million, an increase of $1,102 million from $5,784 million in FY 2019, largely due to declining conditions of plans' underfunding, which resulted in higher FY 2019 variable rate premium income. The FY 2020 increase of $1,102 million primarily reflects peak filing and the payment of premiums in October 2019 for plan year 2019 premium filings which were higher than peak filing and the payment of premiums in October 2018 for plan year 2018 premium filings. Net cash flow used by investment activities increased to $2,476 million in FY 2020 compared to $2,398 million used in FY 2019. In FY 2020, PBGC's cash receipts of $10,201 million from operating activities of the Single-Employer Program were sufficient to cover its operating cash obligations of $7,040 million. This resulted in net cash provided by operating activities of $3,161 million (as compared to net cash provided by operating activities of $2,157 million in FY 2019). When the single-employer cash used through investing activities of $2,390 million is added to this net cash provided, the Single-Employer Program in the aggregate experienced a net cash increase of $771 million. In FY 2019, the Single Employer Program experienced a net cash decrease of $83 million.

PBGC's best estimate of FY 2021 premium receipts ranges between $5,400 million and $5,700 million. No reasonable estimates can be made for FY 2021 terminations, the effects of changes in interest rates, or investment income.

In the Multiemployer Program, cash receipts of $401 million from operating activities were sufficient to cover its operating cash obligations of $218 million, resulting in net cash provided by operations of $183 million. When this net cash provided is added to net cash used through investing activities of $86 million, the Multiemployer Program in the aggregate experienced an overall net cash increase of $97 million. In FY 2019, the Multiemployer Program experienced a net cash increase of $25 million.

During FY 2020, PBGC recovered $135 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 2020, PBGC's combined (Memorandum Total) net increase in cash and cash equivalents amounted to $868 million, arising from an increase of $771 million for the Single-Employer Program and an increase of $97 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 $176,190 million at September 30, 2020 and $154,673 million at September 30, 2019. 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 measured as of December 31 of the previous year (see Note 9). For FY 2020, this exposure was concentrated in the following sectors: manufacturing, transportation/communications/utilities, and services.

PBGC estimates that, as of September 30, 2020, it is reasonably possible that multiemployer plans may require future financial assistance of $9,312 million, compared to $10,871 million at September 30, 2019. The primary reason for the decrease in exposure was due to the favorable net effect of removing three larger plans that are no longer classified as reasonably possible. These three plans had net liabilities greater than the net liabilities of five new plans classified as reasonably possible. Another driver of the decrease was the decline in the reasonably possible small plan bulk reserve. The decline in yield curve rates had an offsetting effect on the exposure.

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 2020, 1,725 plans covering approximately 190,000 participants filed standard terminations. The number of filings is in line with the number of terminations filed last year but is significantly higher than the average of the five years prior to that. Eight large plans filed a standard termination.

In FY 2020, nine large plans completed standard terminations: The Florida Health Sciences Center Inc. Retirement Plan, The Children's Hospital of Philadelphia Pension Account Plan, Bristol-Myers Squibb Company Retirement Income Plan, McKesson Corporation Retirement Plan, Avery Dennison Pension Plan, The Dana Retirement Plan, The Hillshire Brands Company Salaried Pension Plan, The Hillshire Brands Company Consolidated Hourly Pension plan, and Hasbro Inc. Pension Plan.

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

There is an upward trend in the number of plans ending in a standard termination. The number of mid-size and large plan terminations is expected to continue to increase. The number of standard terminations has increased significantly by 28% over 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:

1. Single-Employer Program losses from completed and probable plan terminations were $1,926 million in FY 2020, compared to a loss of $91 million in FY 2019. This increase was primarily due to $1,373 million decrease in credits from probable claims (due to the termination of several large probable plans in FY 2019) and $523 million increase in charges related to new plan terminations.

2. Single-Employer global fixed income generated a gain of $10,507 million from fixed income investments compared to a gain of $14,350 million for FY 2019. This reflects lower fixed income returns (11.51 percent return for Total Global Bonds in FY 2020 versus 19.98 percent in FY 2019).

   Multiemployer fixed income generated a gain of $180 million from fixed income investments (7.89 percent return for the Multiemployer Revolving Fund in FY 2020) compared to a gain of $442 million for FY 2019. Comparable percent return figures for FY 2019 are not available because the single-employer and multiemployer fixed income returns were commingled for FY 2019. The Treasury yield curve shifted down and steepened in FY 2020. Investment-grade bonds posted strong returns.

3. Single-Employer Program global equity market returns generated $2,087 million of investment income from equity investments compared to investment income of $61 million for FY 2019 (7.41 percent return for Total Global Public Stock in FY 2020 versus 2.49 percent in FY 2019). Global equities recovered from the sharp sell-off in the second quarter of FY 2020 to end the year with double digit returns. U.S. equities were the best performing, followed by emerging market equities.

4. Multiemployer Program credits from financial assistance for insolvent and probable plans were $1,137 million in FY 2020, compared to a loss of $11,662 million in FY 2019. This was primarily due to an increase of $6,240 million from the change in interest factors, which resulted from decreases in market interest rates.

5. Single-Employer Program terminated plans and Multiemployer Program insolvent plans incurred actuarial charges due to the change in interest factors of $6,353 million in FY 2020, compared to

$12,567 million in FY 2019. Actuarial charges due to the change in interest factors are related to the changes in market interest rates. In FY 2020, the interest factor equivalent to the single effective rate changed from 2.07% to 1.53% on the average. In FY 2019, the interest factor equivalent to the single effective rate changed from 3.18% to 2.07% on the average.

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, 2020, were $54,624 million ($2,773 million for Fund 1, $2,951 million for Fund 2, and $48,900 million for Fund 7). Trust fund investments totaled $82,571 million as of September 30, 2020. At the end of FY 2020, PBGC's total investments consisting of cash and cash equivalents, investments, and investment income receivable as shown on the Statements of Financial Position were $137,195 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 $132,900 million as of September 30, 2020. Of the approximate $4,300 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 $1,900 million represent net unsettled purchases, $1,800 million are newly trusteed assets that have not yet been commingled, $500 million for funds available for the following month's benefit payments, and $100 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 80 percent of total assets under performance management invested at the end of FY 2020, compared with approximately 79 percent for FY 2019. Equity securities (i.e., public equities) represented about 20 percent of total assets under performance management invested at the end of FY 2020, compared with about 21 percent at the end of FY 2019. The Total Fund Composite return (excluding private market assets and transition accounts) for FY 2020 was 10.55 percent compared with 14.65 percent in FY 2019. A small percentage of PBGC's investments are in the process of moving out of one of the manager portfolios (0.006 percent of total investment assets at the end of FY 2020, compared with 0.01 percent at the end of FY 2019) either for liquidation or for transfer to another manager. The return of the Total Fund Composite including these transition accounts was 10.44 percent in FY 2020, compared to 14.64 percent in FY 2019. 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 0.4 percent of total investments at the end of FY 2020, compared with 0.5 percent of total investments at the end of FY 2019.

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, 2020, PBGC's annualized return on total invested funds excluding private market assets and transition accounts was 8.48 percent compared with a total fund benchmark return of 7.99 percent — a benchmark based on the relative weights of the underlying managed accounts. Including the transition accounts, the five-year annualized return was 8.41 percent. Separately, the annualized ERISA/Pension Protection Act of 2006 (PPA) hypothetical portfolio benchmark return for the five-year period ending September 30, 2020, was 10.47 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, 2020	September 30, 2019	Three and Five Years Ended September 30, 2020: 3 yrs	Three and Five Years Ended September 30, 2020: 5 yrs
Single-Employer Investment Performance				
Total Fund Composite	**10.55%**	14.65%	8.69%	8.48%
Total Fund Benchmark [1]	**9.66**	14.37	8.20	7.99
ERISA/PPA Portfolio Benchmark [2]	**12.95**	7.13 [8]	10.00	10.47
Total Global Public Stock	**7.41**	2.49	6.47	10.02
Total Global Public Stock Benchmark [3]	**5.25**	2.14	5.46	9.21
Total Global Bonds (excluding SAMPP)	**11.51**	19.98	9.36	7.71
Total Global Bonds Benchmark [4]	**10.89**	19.68	9.00	7.26
Smaller Asset Managers Pilot Program [5]	**7.67**	10.21	5.58	N/A
Trust Funds	**8.84**	12.30	8.03	9.09
Revolving Funds [6]	**13.53**	19.11	9.73	6.75
Indices Applicable to Single-Employer Investments				
Russell 3000 Index	**15.00**	2.92	11.65	13.69
MSCI ACWI ex-U.S. IMI Index	**3.51**	(1.84)	1.13	6.31
Dow Jones U.S. Select Real Estate Securities Index	**(22.33)**	16.41	(1.85)	1.99
Bloomberg Barclays Treasury Index	**8.04**	10.48	5.50	3.75
Bloomberg Barclays Aggregate Bond Benchmark	**6.98**	10.30	5.24	4.18
Multiemployer Investment Performance				
Multiemployer Revolving Fund [7]	**7.89**	N/A	N/A	N/A
Index Applicable to Multiemployer Investments				
BBG Barclays US Aggregate Treasury 3-7 Years [7]	**7.14**	8.88	4.65	3.19

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 Barclays 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 the Smaller Asset Managers Pilot Program (SAMPP), and the returns of their respective benchmarks.

[5] The performance inception date for the Smaller Asset Managers Pilot Program was August 2016. As such, five-year performance is not yet available. This program is currently benchmarked against the Bloomberg Barclays Aggregate Bond index, shown within the Indices section.

[6] 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.

[7]The performance inception date for the Multiemployer Revolving Fund is October 2019. As such, prior year, three-year and five-year performance is not yet available. This fund is currently benchmarked against the BBG Barclays US Aggregate Treasury 3-7 Years.
[8]The ERISA/PPA Portfolio Benchmark return for 2019 was revised for a change in methodology.

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, 2020, 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, 2020, the weighted benchmark encompasses the Completion Treasuries Benchmark (16.7 percent), the Non-Completion Treasuries Benchmark (41.6 percent), the Total Long Duration Bonds Benchmark (25.9 percent), the Bloomberg Barclays Aggregate Bond index (10.1 percent), and the Total Emerging Market Bonds Benchmark (5.7 percent). The overall Total Global Bonds composite equals 76.8 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 12.8 percent of PBGC's investment program assets as of September 30, 2020. The assets of this category are split among the Revolving Fund (49.4 percent) and Trust Fund (50.6 percent). The objective of this category – in conjunction with the assets of the Non-Completion Treasuries, 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.

Non-Completion Treasuries: This category includes investments in United States Dollar (USD) denominated fixed-income securities managed by outside professional asset managers and it applies to 32.0 percent of PBGC's investment program assets as of September 30, 2020. The Non-Completion Treasuries Benchmark encompasses the Bloomberg Barclays U.S. Long Treasury index (70.0 percent) and the Bloomberg Barclays U.S. Treasury Intermediate index (30.0 percent). The Non-Completion Treasuries Benchmark is a customized index made up of U.S. Treasury notes and bonds. While PBGC is able to redeem composite assets upon request, the composite assets are part of the Revolving Fund and can only be redeemed to meet pension benefit obligations and administrative expenses.

Long Duration: This category includes investments mainly in USD-denominated fixed income securities managed by outside professional asset managers and applies to 19.9 percent of PBGC's investment program assets as of September 30, 2020. 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, 2020, the Total Long Duration Bonds Benchmark encompasses the Bloomberg Barclays Long U.S. Government/Credit index (22.8 percent), Bloomberg Barclays U.S. Long Credit index (3.0 percent) and Custom Benchmarks (74.2 percent). The

Bloomberg Barclays 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 Bloomberg Barclays U.S. Long Credit index includes investment-grade corporate debt and sovereign, supranational, local authority and non-U.S. agency bonds that are dollar denominated and have a remaining maturity of greater than or equal to 10 years. 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 7.8 percent of PBGC's investment program assets as of September 30, 2020. The Core Fixed Income Benchmark is the Bloomberg Barclays Aggregate Bond index. The Bloomberg Barclays 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 4.4 percent of PBGC's investment program assets as of September 30, 2020. 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, 2020, the weighted benchmark encompasses the JP Morgan EMBIG Diversified index (23.0 percent), JP Morgan GBI EM Global Diversified (9.9 percent) and Custom Benchmarks (67.1 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, 2020, the weighted benchmark encompasses the 3-month Treasury bill (39.1 percent) and the 4-week Treasury bill (60.9 percent). The cash composite represents 2.4 percent of PBGC's investment program as of September 30, 2020. 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 19.6 percent of PBGC's investment program assets as of September 30, 2020. 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, 2020, the Total Global Public Stock Benchmark comprises the Total U.S. Public Stock Benchmark (52.0 percent) and the Total International Public Stock Benchmark (48.0 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 10.2 percent of PBGC's investment program assets as of September 30, 2020. 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, 2020, the weighted benchmark comprises the Russell 3000 index (80.3 percent), the Dow Jones U.S. Select Real Estate Securities index (8.2 percent), and the FTSE NAREIT EQ REITs index (11.5 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 9.4 percent of PBGC's investment program assets as of September 30, 2020. 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, 2020, the weighted benchmark encompasses the MSCI EAFE index (37.7 percent), the MSCI EAFE Value index (10.6 percent), the MSCI EAFE IMI index (9.2 percent), the MSCI EAFE Small Cap index (8.3 percent), the MSCI Emerging Markets index (27.7 percent), and the MSCI Canada IMI index (6.5 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 0.8 percent of PBGC's investment program assets as of September 30, 2020. The Smaller Asset Managers Pilot Program Benchmark is the Bloomberg Barclays Aggregate Bond index. The Bloomberg Barclays 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 0.4 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 Barclays Aggregate Bond index, would have increased the assets of the Corporation by about $3.0 billion (12.95 percent return compared with PBGC's Total Fund Composite return including transition accounts of 10.44 percent) for the one-year period ending September 30, 2020, and increased the assets of the Corporation by about $11.4 billion (10.47 percent annualized return compared with PBGC's Total Fund Composite annualized return including transition accounts of 8.41 percent) over the five-year period ending September 30, 2020. 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 Barclays Aggregate Bond Index)						
	1-Year Period Ending			5-Year Period Ending		
Fiscal Year	60/40 Incremental $ Billions	60/40 % Return[1]	PBGC Actual Return[2]	60/40 Incremental $ Billions	60/40 % Return	PBGC Actual Return[1]
9/30/2019	($8.6)	7.13%	14.64%	$8.5	8.00%	6.30%
9/30/2020	$3.0	12.95%	10.44%	$11.4	10.47%	8.41%

[1] Returns for 2019 were revised for a change in methodology. However, the dollar-based impact is not affected.

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

ANALYSIS OF ENTITY'S 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 laws and regulations. PBGC has continued implementing the new requirements specified in the last revision to 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 2020, 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 and OMB Circular A-123. Chaired by the agency's Chief Financial Officer, the committee includes members from each major business area of the agency, including the Risk Management Officer (RMO) and a representative from the Quality Management Department (QMD) and the Office of Inspector General (OIG), all of whom are non-voting members. The ICC approves the addition, deletion and significant revisions to key business level and entity-wide controls and 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 TESTING OF INTERNAL CONTROLS

As part of the 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. 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. 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 2020, under ICC direction, management continued its comprehensive evaluation of the agency's control activities supporting the five components and 17 underlying principles of internal control, as required by the Green Book. Simultaneously, the ICC approved the revisions of key business level and entity-wide controls to ensure continued compliance with the GAO and OMB requirements. Further, in FY 2020 the agency performed its annual assessment of the effectiveness of internal controls using the GAO Green Book, as required by OMB Circular A-123. Based on the results of this assessment, the PBGC continues to have an effective system of internal controls and remains in compliance with the GAO 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 major business processes cycles, including *Benefit Payments, Benefit Determinations, Budget and Finance, Financial Reporting, Human Resources and Payroll, Investments, 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 to meeting the agency's operations, reporting and compliance with laws and regulations within each of these cycles, and employees responsible for performance of these controls are required to provide quarterly representations regarding the performance of these controls and to maintain evidence documenting control execution. Cycle memoranda documenting the agency's business level controls were updated during the fiscal year.

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, which started in FY 2016 and continued through FY 2020, 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 under the Fraud Reduction and Data Analytics Act and OMB Circular A-123. As part of the Framework, potential fraud areas are identified, and key controls are evaluated/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.

The agency also maintains an Insider Threat Program and framework to prevent, detect, deter, and remediate insider threats. 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 quickly and easily report an insider threat, privacy, or security incident. Additionally, the agency implemented technology to block the intentional or unintentional release of Personally Identifiable Information (PII) and to detect and alert 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 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 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 of federal agencies' contract, loan and grant spending information 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 U.S. Treasury to provide consistent, reliable, researchable, and usable spending data on USASpending.gov. The agency continues to maintain and perform implemented key controls over data quality to support the achievement of the reporting objective in accordance with the DATA Act. Further, in FY 2020, PBGC complied with the requirements of the DATA Act and closed all related corrective actions related to Data Act reporting that were identified in prior year(s). 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 mitigating controls surrounding the representation of federal spending data in accordance with OMB requirements. Consideration of the plan was included in the agency's annual assurance statement for FY 2020, 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 2020 over payments to federal employees, including payroll and travel-related reimbursements. Please refer to the Improper Payment 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 in response 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.

COMPLIANCE WITH LAWS, REGULATIONS, AND OTHER REQUIREMENTS

To foster an environment that promotes compliance with laws and regulations, PBGC maintains two legal compendia: the Compendium of Laws lists statutes that may have a significant impact on PBGC's financial statements or PBGC operations, and the Compendium of Executive Orders and OMB requirements which lists other requirements applicable to PBGC. These documents provide brief descriptions of each applicable requirement and identify the PBGC department or other component with primary compliance responsibility. PBGC updates and maintains these lists to help ensure compliance with applicable laws, regulations, and other requirements. In addition, the ICC enhanced PBGC's control environment by adding and augmenting other specific controls to ensure compliance with laws, regulations, and other requirements.

Following up on potential compliance issues reported last year with respect to our leases, PBGC is working with OMB on a draft Antideficiency Act (ADA) report regarding two headquarters leases, for external reporting, if necessary. Further, there were no new ADA violations identified and/or reported in FY 2020.

ENTERPRISE RISK MANAGEMENT ACTIVITIES

As a part of PBGC's Enterprise Risk Management (ERM) activities, the RMC conducted an agency-wide risk assessment, which was used to prepare the FY 2020 Risk Profile. The RMC, chaired by the Risk Management Officer, also met with risk owners to discuss mitigation strategies for PBGC's top risks and related measures to assess strategy effectiveness. The RMC increased agency-wide communication regarding ERM to foster a risk-aware culture. ERM procedures continued to be documented, a related dashboard was developed and a recurring call for emerging risks was implemented. Furthermore, ERM principles continued to be integrated into key decision-making processes, such as strategic planning, organizational performance and budgeting.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT STATEMENT OF ASSURANCE (FMFIA) ASSURANCE STATEMENT PROCESS

Pursuant to OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control,* government corporations are required to provide a statement on control systems by the head of the management of the corporation consistent with the requirements of the FMFIA. To assist in this effort, the heads of departments, divisions, and offices within PBGC performed assessments of risk and internal controls over the effectiveness and efficiency of operations, reliability of reporting and compliance with applicable laws and regulations. These assessments addressed several different considerations affecting internal control objectives, such as existence of policies and procedures, extent of management oversight, performance of internal compliance reviews, results of external reviews (e.g., OIG, GAO, or other reviews), safeguarding of assets, data quality, financial management systems, government charge card management and practices, and the evaluation of known internal control deficiencies. In addition, the ICC prepared a list of cross-cutting control issues for consideration by members of PBGC's executive management. Based on the results of the completed assessments and consideration of other relevant factors, PBGC's executive management recommended, and the Director approved, the FY 2020 FMFIA Statement of Assurance included below.

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*. 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, 2020.

The PBGC management was made aware of fraudulent activities in the Procurement Department for actions that took place in 2015 and 2016. The fraud was discovered by the agency's Office of Inspector General and investigated jointly with the Federal Bureau of Investigations and prosecuted by the Department of Justice. Acutely aware of the significance of the perpetrated fraud, PBGC management reviewed and strengthened its controls and is awaiting the results of a procurement practices audit. Based on what we know now, the PBGC does not believe that this instance of fraud impacts management's ability to provide reasonable assurance over the effectiveness of the agency's system of internal controls as of September 30, 2020.

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, 2020, and September 30, 2019, the related Statements of Operations and Changes in Net Position, 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 in all material respects the financial position of PBGC as of September 30, 2020, and September 30, 2019, 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 year 2020 financial statements, and Ernst & Young LLP issued an unmodified opinion on these financial statements. CliftonLarsonAllen, LLP was engaged to conduct the audit of PBGC's fiscal year 2019 financial statements and issued an unmodified opinion.

Gordon A. Hartogensis

Gordon Hartogensis
Director

Patricia Kelly

Patricia Kelly
Chief Financial Officer

December 9, 2020

PENSION BENEFIT GUARANTY CORPORATION

STATEMENTS OF FINANCIAL POSITION

	Single-Employer Program		Multiemployer Program		Memorandum Total	
	September 30,		September 30,		September 30,	
(Dollars in Millions)	**2020**	2019	**2020**	2019	**2020**	2019
ASSETS						
Cash and cash equivalents	**$6,265**	$5,494	**$205**	$108	**$6,470**	$5,602
Securities lending collateral (Notes 3 and 5)	**3,949**	4,719	**-**	-	**3,949**	4,719
Investments, at market (Notes 3 and 5):						
Fixed maturity securities	**100,290**	86,736	**2,734**	2,550	**103,024**	89,286
Equity securities	**24,008**	22,277	**-**	-	**24,008**	22,277
Private equity	**276**	379	**-**	-	**276**	379
Real estate and real estate investment trusts	**2,784**	2,568	**-**	-	**2,784**	2,568
Other	**7**	6	**-**	-	**7**	6
Total investments	**127,365**	111,966	**2,734**	2,550	**130,099**	114,516
Receivables, net:						
Sponsors of terminated plans	**26**	20	**-**	-	**26**	20
Premiums (Note 11)	**3,606**	4,515	**192**	181	**3,798**	4,696
Sale of securities	**1,500**	423	**-**	-	**1,500**	423
Derivative contracts (Note 4)	**122**	248	**-**	-	**122**	248
Investment income	**614**	659	**12**	18	**626**	677
Other	**6**	6	**-**	-	**6**	6
Total receivables	**5,874**	5,871	**204**	199	**6,078**	6,070
Capitalized assets, net	**19**	18	**1**	1	**20**	19
Total assets	**$143,472**	$128,068	**$3,144**	$2,858	**$146,616**	$130,926

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

	Single-Employer Program		Multiemployer Program		Memorandum Total	
	September 30,		September 30,		September 30,	
(Dollars in Millions)	**2020**	2019	**2020**	2019	**2020**	2019
LIABILITIES						
Present value of future benefits, net (Note 6):						
Trusted plans	**$119,576**	$112,814	**-**	-	**$119,576**	$112,814
Plans pending termination and trusteeship	**635**	96	**-**	-	**635**	96
Settlements and judgments	**17**	17	**-**	-	**17**	17
Claims for probable terminations	**202**	173	**-**	-	**202**	173
Total present value of future benefits, net	**120,430**	113,100	**-**	-	**120,430**	113,100
Present value of nonrecoverable future financial assistance (Note 7)						
Insolvent plans	**-**	-	**2,994**	2,807	**2,994**	2,807
Probable insolvent plans	**-**	-	**63,871**	65,188	**63,871**	65,188
Total present value of nonrecoverable future financial assistance	**-**	-	**66,865**	67,995	**66,865**	67,995
Payables, net:						
Derivative contracts (Note 4)	**73**	192	**-**	-	**73**	192
Due for purchases of securities	**3,294**	1,159	**-**	-	**3,294**	1,159
Payable upon return of securities loaned	**3,949**	4,719	**-**	-	**3,949**	4,719
Unearned premiums	**181**	176	**5**	6	**186**	182
Accounts payable and accrued expenses (Note 8)	**67**	66	**23**	23	**90**	89
Total payables	**7,564**	6,312	**28**	29	**7,592**	6,341
Total liabilities	**127,994**	119,412	**66,893**	68,024	**194,887**	187,436
Net position	**15,478**	8,656	**(63,749)**	(65,166)	**(48,271)**	(56,510)
Total liabilities and net position	**$143,472**	$128,068	**$3,144**	$2,858	**$146,616**	$130,926

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 AND CHANGES IN NET POSITION

	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)	**2020**	2019	**2020**	2019	**2020**	2019
UNDERWRITING:						
Income:						
Premium, net (Note 11)	**$5,663**	$6,352	**$322**	$310	**$5,985**	$6,662
Other	**28**	47	**-**	-	**28**	47
Total	**5,691**	6,399	**322**	310	**6,013**	6,709
Expenses:						
Administrative	**387**	365	**40**	40	**427**	405
Other	**16**	14	**-**	-	**16**	14
Total	**403**	379	**40**	40	**443**	419
Other underwriting activity:						
Losses (credits) from completed and probable terminations (Note 12)	**1,926**	91	**-**	-	**1,926**	91
Losses (credits) from insolvent and probable plans-financial assistance (Note 7)	**-**	-	**(1,137)**	11,662	**(1,137)**	11,662
Actuarial adjustments (credits) (Note 6)	**48**	(811)	**(34)**	(31)	**14**	(842)
Total	**1,974**	(720)	**(1,171)**	11,631	**803**	10,911
Underwriting gain (loss)	**3,314**	6,740	**1,453**	(11,361)	**4,767**	(4,621)
FINANCIAL:						
Investment income (loss) (Note 13):						
Fixed	**10,507**	14,350	**180**	442	**10,687**	14,792
Equity	**2,087**	61	**-**	-	**2,087**	61
Private equity	**(17)**	17	**-**	-	**(17)**	17
Real estate	**(118)**	386	**-**	-	**(118)**	386
Other	**11**	6	**-**	-	**11**	6
Total	**12,470**	14,820	**180**	442	**12,650**	15,262
Expenses:						
Investment	**135**	123	**2**	-	**137**	123
Actuarial charges (Note 6):						
Due to expected interest	**2,620**	2,950	**68**	74	**2,688**	3,024
Due to change in interest factors	**6,207**	12,270	**146**	297	**6,353**	12,567
Total	**8,962**	15,343	**216**	371	**9,178**	15,714
Financial gain (loss)	**3,508**	(523)	**(36)**	71	**3,472**	(452)
Net income (loss)	**6,822**	6,217	**1,417**	(11,290)	**8,239**	(5,073)
Net position, beginning of year	**8,656**	2,439	**(65,166)**	(53,876)	**(56,510)**	(51,437)
Net position, end of year	**$15,478**	$8,656	**($63,749)**	($65,166)	**($48,271)**	($56,510)

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, 2020	2019	Multiemployer Program For the Years Ended September 30, 2020	2019	Memorandum Total For the Years Ended September 30, 2020	2019
OPERATING ACTIVITIES:						
Premium receipts	**$ 6,577**	$ 5,488	**$ 309**	$ 296	**$ 6,886**	$ 5,784
Interest and dividends received	**3,411**	3,425	**92**	103	**3,503**	3,528
Cash received from plans upon trusteeship	**(23)**	385	**-**	-	**(23)**	385
Receipts from sponsors/non-sponsors	**131**	(115)	**-**	-	**131**	(115)
Receipts from the missing participant program	**81**	35	**-**	-	**81**	35
Other receipts	**1**	2	**-**	-	**1**	2
Benefit payments – trusteed plans	**(6,069)**	(5,960)	**-**	-	**(6,069)**	(5,960)
Financial assistance payments	**-**	-	**(173)**	(160)	**(173)**	(160)
Settlements and judgments	**-**	(1)	**-**	-	**-**	(1)
Payments for administrative and other expenses	**(527)**	(471)	**(29)**	(27)	**(556)**	(498)
Accrued interest paid on securities purchased	**(421)**	(631)	**(16)**	(29)	**(437)**	(660)
Net cash provided (used) by operating activities (Note 15)	**3,161**	2,157	**183**	183	**3,344**	2,340
INVESTING ACTIVITIES:						
Proceeds from sales of investments	**174,976**	133,096	**5,760**	4,891	**180,736**	137,987
Payments for purchases of investments	**(177,366)**	(135,336)	**(5,846)**	(5,049)	**(183,212)**	(140,385)
Net change in investment of securities lending collateral	**(770)**	710	**-**	-	**(770)**	710
Net change in securities lending payable	**770**	(710)	**-**	-	**770**	(710)
Net cash provided (used) by investing activities	**(2,390)**	(2,240)	**(86)**	(158)	**(2,476)**	(2,398)
Net increase (decrease) in cash and cash equivalents	**771**	(83)	**97**	25	**868**	(58)
Cash and cash equivalents, beginning of year	**5,494**	5,577	**108**	83	**5,602**	5,660
Cash and cash equivalents, end of year	**$ 6,265**	$ 5,494	**$ 205**	$ 108	**$ 6,470**	$ 5,602

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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

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.

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, 2020, the Single-Employer and Multiemployer Programs reported net positions of $15,478 million and ($63,749) million, respectively. The Single-Employer Program had assets of $143,472 million offset by total liabilities of $127,994 million, which include total present value of future benefits (PVFB) of $120,430 million. As of September 30, 2020, the Multiemployer Program had assets of $3,144 million offset by $66,865 million in present value of nonrecoverable future financial assistance. The Corporation has sufficient liquidity to meet its obligations for a number of years; however, barring changes, the Multiemployer Program will with certainty not be able to fully satisfy its long-term obligations to plan participants. The FY 2019 Projections Report shows that the Multiemployer Program estimates a very high likelihood of insolvency during FY 2026, and that insolvency is a near certainty by the end of FY 2027.

PBGC's $137,195 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 $146,616 million at September 30, 2020. This amount of $137,195 million (as compared to investments under management of $132,862 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 ($110,108 million) represent 80 percent of the total investments, while equity securities ($24,020 million) represent 18 percent of total investments. Private market assets, real estate, and other investments ($3,067 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 $176,190 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, 2020. This is an increase of $21,517 million from the reasonably possible exposure of $154,673 million in FY 2019. This increase is primarily due to the decrease in the interest factors used for estimating exposure, and the increase in the number of companies with lower than investment grade bond ratings and/or credit scores. These estimates are measured as of December 31 of the previous year (see Note 9). For FY 2020, this exposure is concentrated in the following sectors: manufacturing, transportation/communications/utilities, and services.

PBGC estimates that as of September 30, 2020, it is reasonably possible that multiemployer plans may require future financial assistance in the amount of $9,312 million (see Note 9). This is a decrease of $1,559 million from the reasonably possible exposure of $10,871 million in FY 2019. The primary reason for the decrease in exposure was due to the favorable net effect of removing three larger plans that are no longer classified as reasonably possible. These three plans had net liabilities greater than the net liabilities of five new plans classified as reasonably possible. Another driver of the decrease was the decline in the reasonably possible small plan bulk reserve. The decline in yield curve rates had an offsetting effect on the exposure.

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.

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) 2018-13, "Changes to the Disclosure Requirements for Fair Value Measurement" which modifies disclosure requirements for fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019, and for interim periods within those fiscal years. PBGC has evaluated the impact of this guidance and will modify the financial statement disclosures in accordance with this ASU upon adoption in FY 2021. This ASU includes eliminating the requirement to disclose the amounts and reasons for transfers between level 1 and level 2 of the fair value hierarchy, and modifies the disclosure requirement relating to investments in funds at net asset value (NAV).

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 for 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 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 Changes in Net Position, 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 and Changes in Net Position, 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 and Changes in Net Position 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, while the expenses are allocated on the basis of each program's number of ongoing plans to the extent that such amounts are not directly attributable to a specific fund (e.g., a given PBGC investment manager directing a PBGC investment portfolio for the sole benefit of the Multiemployer Program represents a direct expense). 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 and Changes in Net Position. 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 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 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 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 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. All indirect administrative expenses associated with the Single-Employer and Multiemployer Programs are allocated using the number of ongoing plans in each 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 the element of uncollectibility in the receivables outstanding.

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 and Changes in Net Position. 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.

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, 2020. 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 and TBAs are reported to "Receivables, net – Sale of securities" and "Due for purchases of securities" from derivative contracts receivables and payables. As of September 30, 2020, TBA receivables were $1,243 million and no Bond Forward receivables were reported. In addition, as of September 30, 2020, TBA payables were $2,626 million and no Bond Forward payables were reported.

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

	September 30, 2020		September 30, 2019	
(Dollars in millions)	**Basis**	**Market Value**	Basis	Market Value
Fixed maturity securities:				
U.S. Government securities	**$59,300**	**$63,879**	$47,540	$52,120
Commercial paper/securities purchased under repurchase agreements	**432**	**432**	251	251
Asset backed securities	**5,111**	**5,267**	4,463	4,584
Pooled funds				
Domestic	**1,083**	**850**	4,536	4,514
International	**-**	**-**	-	-
Global/other	**0 ***	**0 ***	0 *	0 *
Corporate bonds and other	**18,571**	**20,646**	14,851	16,256
International securities	**9,113**	**9,216**	8,778	9,011
Subtotal	**93,610**	**100,290**	80,419	86,736
Equity securities:				
Domestic	**1,137**	**1,137**	308	269
International	**2,130**	**2,472**	1,802	1,935
Pooled funds				
Domestic	**5,961**	**10,797**	6,740	10,691
International	**6,768**	**9,595**	5,736	9,380
Global/other	**7**	**7**	2	2
Subtotal	**16,003**	**24,008**	14,588	22,277
Private equity	**1,149**	**276**	1,158	379
Real estate and real estate investment trusts	**2,826**	**2,784**	2,232	2,568
Insurance contracts and other investments	**6**	**7**	5	6
Total[1]	**$113,594**	**$127,365** [2]	$98,402	$111,966

* Less than $500,000

[1] Total includes securities on loan at September 30, 2020, and September 30, 2019, with a market value of $5,490 million and $5,357 million, respectively.

[2] This total of $127,365 million of investments at market value represents the single-employer assets only.

INVESTMENTS OF MULTIEMPLOYER REVOLVING FUNDS AND MULTIEMPLOYER TRUSTEED PLANS

	September 30, 2020		September 30, 2019	
(Dollars in millions)	**Basis**	**Market Value**	Basis	Market Value
Investment securities:				
Fixed U.S. Government securities	**$2,623**	**$2,734**	$2,328	$2,550
Equity securities	**-**	**-**	-	-
Total	**$2,623**	**$2,734**	$2,328	$2,550

INVESTMENT PROFILE

	September 30,	
	2020	2019
Fixed Income Assets		
Average Quality	**AA**	**AA**
Average Maturity (years)	**16.1**	**16.6**
Duration (years)	**12.7**	**13.4**
Yield to Maturity (%)	**1.7**	**2.7**
Equity Assets		
Average Price/Earnings Ratio	**23.4**	**19.2**
Dividend Yield (%)	**2.3**	**2.5**
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 and Changes in Net Position. PBGC presents all derivatives at fair value on the Statements of Financial Position.

During fiscal years 2020 and 2019, 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. Some of PBGC's non-exchange traded derivative contracts are centrally cleared through a Commodity Futures Trading Commission recognized clearinghouse and the required margin (collateral) is maintained by the clearinghouse to support the performance by counterparties, which are members of the clearinghouse. 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, 2020 and 2019, gains and losses from settled margin calls are reported in "Investment income" on the Statements of Operations and Changes in Net Position. 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, 2020 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, 2020			September 30, 2019		
(Dollars in millions)	Statements of Financial Position Location	**Notional**	**FMV**	Statements of Financial Position Location	Notional	FMV
Futures	Derivative Contracts	**$23,731**	**$6**	Derivative Contracts	$15,378	$5
Swap contracts						
Interest rate swaps	Investments-Fixed	**1,200**	**2**	Investments-Fixed	815	(24)
Other derivative swaps	Investments-Fixed	**1,046**	**4**	Investments-Fixed	904	24
Option contracts	Investments-Fixed	**18**	**0** *	Investments-Fixed	9	1
Forwards - foreign exchange	Investments-Fixed	**5,843**	**1**	Investments-Fixed	4,341	3
	Investments-Equity	**-**	**-**	Investments-Equity	-	-

	Liability Derivative					
	September 30, 2020			September 30, 2019		
(Dollars in millions)	Statements of Financial Position Location	**Notional**	**FMV**	Statements of Financial Position Location	Notional	FMV
Futures	Derivative Contracts	**$10,578**	**($18)**	Derivative Contracts	$2,249	($160)
Option contracts	Derivative Contracts	**385**	**(1)**	Derivative Contracts	172	(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, 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	September 30, 2019 Gross Amount of Recognized Assets	September 30, 2019 Gross Amounts Offset in Statements of Financial Position	September 30, 2019 Net Amounts of Assets Presented in Statements of Financial Position
Derivatives						
Interest-rate contracts	**$ 0***	**$ -**	**$ 0***	$ 0*	$ 0*	$ 0*
Foreign exchange contracts	**44**	**(29)**	**15**	35	(18)	17
Other derivative contracts[1]	**5**	**(1)**	**4**	5	0*	5
Cash collateral nettings	**-**	**4**	**4**	-	2	2
Total Derivatives	**$49**	**($26)**	**$23**	$40	($16)	$24
Other financial instruments[2]						
Repurchase agreements	**768**	**-**	**768**	576	-	576
Securities lending collateral	**3,949**	**-**	**3,949**	4,719	-	4,719
Total derivatives and other financial instruments	**$4,766**	**($26)**	**$4,740**	$5,335	($16)	$5,319

(Dollars in millions)	**September 30, 2020** Gross Amounts Not Offset in Statements of Financial Position			September 30, 2019 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**	$ 576	$ -	$576
Security lending collateral	**3,949**	**(3,949)**	**-**	4,719	(4,719)	-
Total	**$4,717**	**($3,949)**	**$768**	$5,295	($4,719)	$576

* 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, 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	September 30, 2019 Gross Amount of Recognized Liabilities	September 30, 2019 Gross Amounts Offset in Statements of Financial Position	September 30, 2019 Net Amounts of Assets Presented in Statements of Financial Position
Derivatives						
Interest-rate contracts	**$ -**	**$ -**	**$ -**	$ 0*	$ 0*	$ 0*
Foreign exchange contracts	**43**	**(29)**	**14**	32	(18)	14
Other derivative contracts[1]	**9**	**(1)**	**8**	1	(1)	0*
Cash collateral nettings	**-**	**-**	**-**	-	-	-
Total Derivatives	**$52**	**($30)**	**$22**	$33	($19)	$14
Other financial instruments[2]						
Resale agreements	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -
Securities lending collateral	**3,949**	**-**	**3,949**	4,719	-	4,719
Total derivatives and other financial instruments	**$4,001**	**($30)**	**$3,971**	$4,752	($19)	$4,733

(Dollars in millions)	September 30, 2020 Gross Amounts Not Offset in Statements of Financial Position			September 30, 2019 Gross Amounts Not Offset in Statements of Financial Position		
	Net Amount of Liabilities Presented in Statements of Financial Position	**Collateral Received**	**Net Amount**	Net Amount of Liabilities Presented in Statements of Financial Position	Collateral Received	Net Amount
Resale agreements	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -
Security lending collateral	**3,949**	**(3,949)**	**-**	4,719	(4,719)	-
Total	**$3,949**	**($3,949)**	**$ -**	$4,719	($4,719)	$ -

* 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 and Changes in Net Position as of September 30, 2020, and September 30, 2019.

EFFECT OF DERIVATIVE CONTRACTS ON THE STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION

(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, 2020**	Sept. 30, 2019
Futures			
Contracts in a receivable position	Investment Income-Fixed	**($1,431)**	($154)
Contracts in a receivable position	Investment Income-Equity	**-**	-
Contracts in a payable position	Investment Income-Fixed	**1,919**	1,812
Contracts in a payable position	Investment Income-Equity	**-**	-
Swap agreements			
Interest rate swaps	Investment Income-Fixed	**(19)**	(29)
Other derivative swaps	Investment Income-Fixed	**(10)**	13
Option contracts			
Options purchased (long)	Investment Income-Fixed	**1**	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	**(50)**	31
	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, 2020, and through September 30, 2019, was $6,041 million and $5,613 million, respectively. The average value of lendable securities was $41,012 million through September 30, 2020, and $31,118 million through September 30, 2019. 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 September 30, 2020 and 18 percent through September 30, 2019. The average utilization rate decrease is primarily due to a decrease in utilization of U.S. Corporate Bonds and Equity securities and U.S. Government securities as discussed below.

The average value of U.S. Corporate Bonds and Equity securities on loan through September 30, 2020, was $3,218 million, as compared to $3,900 million through September 30, 2019. The average value of U.S. Corporate Bonds and Equity securities on loan is 53 percent of the $6,041 million average value of securities on loan through September 30, 2020, as compared to 70 percent of the $5,613 million average value of securities on loan through September 30, 2019. 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; while the average value of lendable U.S. Corporate Bonds and Equity securities was $19,827 million through September 30, 2019, or 64 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 September 30, 2020 and 20 percent through September 30, 2019. The decrease in the utilization of U.S. Corporate Bonds and Equity securities was caused by a shift in the lendable assets away from high yield bonds to investment grade bonds, which usually are in less demand from borrowers. Changes in the supply and demand dynamics for U.S. Corporate Bonds also contributed to a lower level of utilization in the fiscal year ending September 30, 2020 compared with the fiscal year ending September 30, 2019.

The average value of U.S. Government securities on loan through September 30, 2020, was $2,773 million, as compared to $1,664 million through September 30, 2019. The average value of U.S. Government securities on loan was 46 percent of the $6,041 million average value of securities on loan through September 30, 2020, as compared to 30 percent of the $5,613 million average value of securities on loan through September 30, 2019. 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; whereas the average value of lendable U.S. Government securities through September 30, 2019, was $7,575 million, or 24 percent of PBGC's overall average value of lendable securities. The increase in the average value of lendable U.S. Government securities was largely driven by the addition of a large Treasury Only Portfolio to the lending program. The average utilization of U.S. Government securities was 21 percent through September 30, 2020 and 24 percent through September 30, 2019. Utilization of U.S. Government securities declined year over year because of a lower level of demand for U.S. Government Securities from borrowers and constraints in the ability to invest cash collateral at attractive spreads compared with rebates owed to borrowers for cash collateral.

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, 2020	Sept. 30, 2020 Average Utilization Rates	Sept. 30, 2019 Average Utilization Rates
U.S. Corporate Bond & Equity	12%	14%	20%
U.S. Government Securities	18%	21%	24%
Non-U.S. Corporate Bond & Equity	2%	2%	2%
Non-U.S. Fixed Income	0%*	0%*	1%
Total PBGC Program	13%	15%	18%

*Less than 1%.

The amount of cash collateral received for securities on loan at September 30, 2020, and September 30, 2019, was $3,949 million and $4,719 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 earned $21 million from its agency securities lending programs as of September 30, 2020. 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 and Changes in Net Position.

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 increased 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, 2020, PBGC had $768 million in repurchase agreements. The amount includes 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, 2020.

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 as “Receivables, net – Derivative contracts” and “Derivative contracts” (liabilities). 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 Changes in Net Position and Statements of Financial Position.

Amounts in the table below represent the derivative contracts in a receivable position at September 30, 2020. Collateral deposits of $93 million, which represent cash paid as collateral on certain derivative contracts, are shown below.

DERIVATIVE CONTRACTS

(Dollars in millions)	**September 30, 2020**	September 30, 2019
Open receivable trades on derivatives:		
Collateral deposits	**$93** [1]	$229 [2]
Futures contracts	**6**	5
Interest rate swaps	**0**	1
Other derivative swaps	**23**	13
Total	**$122**	$248

[1] 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).

[2] For FY 2019, 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 $229 million ($242 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, 2020, which PBGC reflects as a liability. Collateral deposits of $31 million, which represent cash received as collateral on certain derivative contracts, are included.

DERIVATIVE CONTRACTS

(Dollars in millions)	**September 30, 2020**	September 30, 2019
Open payable trades on derivatives:		
Collateral deposits	**$31** [1]	$19 [2]
Futures contracts	**18**	159
Interest rate swaps	**0**	1
Other derivative swaps	**23**	12
Options-fixed income	**1**	1
Total	**$73**	$192

[1] 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).

[2] For FY 2019, 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 $19 million ($32 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, 2020

(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	$ -	$ 2,369	$ 4,101	$ -	$ 6,470
Securities lending collateral[1]	-	-	3,949	-	3,949
Investments:					
Fixed maturity securities					
U.S. Government securities	-	-	66,613	-	
Commercial paper/securities purchased under repurchase agreements	-	-	432	-	
Asset backed/Mortgage backed securities	-	-	5,267	-	
Pooled funds[2]	-	58	0*	-	
Pooled funds fixed maturity at NAV[2,3]	791	-	-	-	
Corporate bonds and other	-	0*	20,646	0*	
International securities	-	1	9,216	-	
Total Fixed Maturity Securities	791	59	102,174	0*	103,024
Equity securities:					
Domestic	-	202	931	4	
International	-	2,472	-	0*	
Pooled funds[2]	-	144	-	-	
Pooled funds equity securities NAV[2,3]	20,255	-	-	-	
Total Equity Securities	20,255	2,818	931	4	24,008
Private equity at NAV[3]	276	-	-	-	276
Real estate and real estate investment trusts	-	1,498	-	8	
Real estate and real estate investment trusts at NAV[3]	1,278	-	-	-	
Total Real Estate	1,278	1,498	-	8	2,784
Insurance contracts and other Investments	-	-	-	7	7
Receivables: [4]					
Derivative contracts[5]	-	6	116	-	122
Liabilities					
Payables: [4]					
Derivative contracts[6]	-	19	54	-	73

* 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 $93 million ($106 million gross collateral deposits receivable less $13 million due to a netting of collateral deposits receivable and payable). 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).
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, 2020, 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, 2020

(Dollars in millions)	Fair Value at September 30, 2019	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, 2020	Change in Unrealized Gains (Losses) Related to Financial Instruments held at September 30, 2020[2]
Assets:								
Fixed	$ -	0*	0*	-	-	-	$ 0*	$ 0*
Pooled funds (fixed)	$ -	-	-	-	-	-	$ -	$ -
Domestic/Int'l equity[3]	$ 8	(4)	1	(1)	-	-	$ 4	($4)
Private equity	$ -	-	-	-	-	-	$ -	$ -
Real estate & real estate investment trusts	$ 8	0*	1	(1)	x*	-	$ 8	$0*
Other	$ 6	0*	1	0*	-	-	$ 7	$0*

* 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 market place.

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, 2020

	Net Asset Value (in millions)	Unfunded Commitments [1,2]	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real estate (a)	$ 1,278	$ 60	n/a	n/a
Private equity (b)	276	81	n/a	n/a
Pooled funds (c)	21,046	-	n/a	n/a
Total	$22,600	$141		

[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, 2020 *(Dollars in millions)*	**Sensitivity Factors Curve of One-Year Spot Rates (Interest Factors) - Varies Annually from (-0.38% in year 1 for 30 years, 0.49% thereafter)**	**Official Factors[2] Curve of One-Year Spot Rates (Interest Factors) - Varies Annually from 0.62% in year 1 for 30 years, 1.49% thereafter)**	**Sensitivity Factors Curve of One-Year Spot Rates (Interest Factors) - Varies Annually from 1.62% in year 1 for 30 years, 2.49% thereafter)**
Single-Employer Program[3]	$134,194	**$119,713**	$107,837
Multiemployer Program	80,521	**66,865**	55,990
Total	$214,715	**$186,578**	$163,827

[1] Level 3 Fair Value Measurements.
[2] Actual Spot Curve factors and PVFB amounts calculated for September 30, 2020, fiscal year-end financial statements.
[3] Gross PVFB liability for trusteed plans prior to the netting of recoveries.

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 surveys life insurance industry annuity prices through 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 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.

These interest factors were determined to be those that, given the mortality assumption used, best match the annuity prices provided by the ACLI surveys. The yield curve of rates is adjusted to best fit the survey prices considering unobserved factors such as: differing mortality improvement expectations; hedging activities and their costs; regulatory costs on insurers; 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 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, 2020 using these rates. Prior to September 30, 2020, the best-fit rates from the surveys were adjusted to a date one-month prior to the date of the financial statements due to the lack of market interest rate information available on a basis timely enough to meet the financial statement preparation schedule.

Prior to September 30, 2020 group annuity pricing rates from the surveys were adjusted to the date of PVFB measurement using corporate bond rates from the Financial Times Stock Exchange (FTSE) Pension Discount Curve and Treasury spot rates produced by the Federal Reserve. As of September 30, 2020, this adjustment is made 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 and which should represent group annuity pricing better than the FTSE curve which is based exclusively on AA bond rates because group annuity pricing is driven primarily by single A bond rates. Treasury rates are from the ICE U.S. Government spot curve. Because the spread between single A and AA rates does not typically change significantly, no material impact and no systematic increase or decrease in the PVFB measurement is expected to result from this change in normal market environments. The change has the potential in some unusual market conditions to have a larger impact on the PVFB measurement, but this should be infrequent.

Illustrated in the table below is a comparison of the September 30, 2020 and September 30, 2019 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, 2020, the spot rate yield curve 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% and is assumed to remain level thereafter. For September 30, 2019, the spot rate yield curve started with an interest factor of 2.36% in year 1 and the interest factor for year 31 and beyond was 1.98%.

CURVE OF SPOT RATES FOR SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019

Period (in Years)	09/30/2020	09/30/2019	Change	Period (in Years)	09/30/2020	09/30/2019	Change
1	0.62%	2.36%	-1.74%	16	1.64%	2.10%	-0.46%
2	0.71%	2.09%	-1.38%	17	1.64%	2.11%	-0.47%
3	0.90%	2.02%	-1.12%	18	1.64%	2.12%	-0.48%
4	1.09%	2.01%	-0.92%	19	1.64%	2.13%	-0.49%
5	1.25%	2.01%	-0.76%	20	1.64%	2.15%	-0.51%
6	1.38%	2.04%	-0.66%	21	1.63%	2.14%	-0.51%
7	1.47%	2.05%	-0.58%	22	1.62%	2.13%	-0.51%
8	1.54%	2.06%	-0.52%	23	1.61%	2.11%	-0.50%
8	1.58%	2.08%	-0.50%	24	1.60%	2.08%	-0.48%
10	1.60%	2.08%	-0.48%	25	1.58%	2.06%	-0.48%
11	1.62%	2.08%	-0.46%	26	1.56%	2.03%	-0.47%
12	1.63%	2.08%	-0.45%	27	1.54%	2.01%	-0.47%
13	1.63%	2.09%	-0.46%	28	1.52%	1.99%	-0.47%
14	1.64%	2.09%	-0.45%	29	1.50%	1.98%	-0.48%
15	1.64%	2.10%	-0.46%	30	1.49%	1.98%	-0.49%
				Longer Periods	1.49%	1.98%	-0.49%

PBGC converts the above spot rates into equivalent forward rates in its present valuation calculations utilized within its automated systems. When applied to projected benefit payments (as well as projected multiemployer nonrecoverable future financial assistance as discussed in Note 7), the spot rates and forward rates produce equivalent results as explained in the following example. A spot rate is the single rate of interest used to convert a single payment at a particular future year into a present value (PV). Thus, if $1,000 is payable at year 2 and the year 2 spot rate is 3%, the present value of the $1,000 is equal to $1,000 divided by 1.03 for each year for two years, or PV = $1000 ÷ [1.03 x 1.03] = $942.60. The equivalent forward rate, on the other hand, is the rate used to discount a present value for each year into the future (discount from year x+1 to year x). Thus, if the year 1 forward rate is 2% and the year 2 forward rate is 4.0098%, the present value of $1,000 payable at year 2 is $1,000 divided by 1.040098 (the year 2 forward rate) and then divided by 1.02 (the year 1 forward rate), or PV = [$1000 ÷ 1.040098] ÷ 1.02 = $942.60.

PBGC uses a fully generational mortality projection scale. The mortality tables PBGC used for September 30, 2020 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-2019 Projection Scales, respectively. For September 30, 2019, PBGC used the same tables projected generationally with the Male and Female MP-2018, respectively.

Beginning with the FY 2019 valuation, 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.

PBGC has in place a policy that allows the Corporation to not decrease a final benefit determination that is overstated by $5 or less. The effect of this policy is carried through to the calculation of the PVFB liability.

The PVFB for trusteed plans for FY 2020 and FY 2019 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, 2020, and for the fiscal year ended September 30, 2019.

RECONCILIATION OF THE PRESENT VALUE OF FUTURE BENEFITS FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	September 30,			
(Dollars in millions)		**2020**		2019
Present value of future benefits, at beginning of year -- Single-Employer, net		**$113,100**		$101,866
Estimated recoveries, prior year		**146**		214
Assets of terminated plans pending trusteeship, net, prior year		**378**		215
Present value of future benefits at beginning of year, gross		**113,624**		102,295
Settlements and judgments, prior year		**(17)**		(18)
Net claims for probable terminations, prior year		**(173)**		(1,799)
Actuarial adjustments -- underwriting:				
Changes in method and assumptions	**838**		(331)	
Effect of experience	**(790)**		(480)	
Total actuarial adjustments -- underwriting	**48**		(811)	
Actuarial charges -- financial:				
Expected interest	**2,620**		2,950	
Change in interest factors	**6,207**		12,270	
Total actuarial charges -- financial	**8,827**		15,220	
Total actuarial charges, current year		**8,875**		14,409
Terminations:				
Current year	**5,508**		4,627	
Changes in prior year	**(108)**		(60)	
Total terminations		**5,400**		4,567
Benefit payments, current year[1]		**(6,126)**		(6,020)
Estimated recoveries, current year		**(135)**		(146)
Assets of terminated plans pending trusteeship, net, current year		**(1,237)**		(378)
Settlements and judgments, current year [2]		**17**		17
Net claims for probable terminations:				
Future benefits[3]	**429**		173	
Estimated plan assets and recoveries from sponsors	**(227)**		-	
Total net claims, current year		**202**		173
Present value of future benefits, at end of year -- Single-Employer, net		**120,430**		113,100
Present value of future benefits, at end of year -- Multiemployer		**0***		0*
Total present value of future benefits, at end of year, net		**$120,430**		$113,100

* Less than $500,000 (actual amount is $62,865 and $75,606 for the 10 Pre-MPPAA (Multiemployer Pension Plan Amendments Act) trusteed multiemployer plans at September 30, 2020, and September 30, 2019, respectively).

[1] The benefit payments of $6,126 million at September 30, 2020, and $6,020 million at September 30, 2019, include $56 million in FY 2020 and $60 million in FY 2019, 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, 2020 and September 30, 2019.

[3] The future benefits for probable terminations of $429 million and $173 million at September 30, 2020, and September 30, 2019, include $99 million and $173 million, respectively, for probable terminations not specifically identified, and $103 million and $0 (zero) million, respectively, for 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, 2020		September 30, 2019	
(Dollars in millions)	**Basis**	**Market Value**	Basis	Market Value
U.S. Government securities	**$ -**	**$ -**	$ -	$ -
Corporate and other bonds	**574**	**574**	183	182
Equity securities	**664**	**664**	205	205
Private equity	**-**	**-**	-	-
Insurance contracts	**-**	**-**	-	-
Other	**(1)**	**(1)**	(9)	(9)
Total, net	**$1,237**	**$1,237**	$379	$378

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, 2020, Net Claims for Probable Terminations is $202 million, of which $103 million is from a specific identification process and $99 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)	**2020**		2019	
Net claims for probable terminations, at beginning of year		**$ 173**		$ 1,799
New claims	**103**		-	
Actual terminations	**-**		(1,635)	
Deleted probables	**-**		-	
Change in benefit liabilities	**(74)**		9	
Change in plan assets	**-**		-	
Loss (credit) on probables		**29**		(1,626)
Net claims for probable terminations, at end of year		**$202**		$173

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

PROBABLES EXPOSURE BY INDUSTRY (PRINCIPAL CATEGORIES)

(Dollars in millions)	**FY 2020**	FY 2019
Retail	**$ -**	$ -
Manufacturing	**103**	-
Forest Product	**-**	-
Total[1,2]	**$103**	$ -

[1] Total excludes a small unidentified bulk reserve of $99 million and $173 million for September 30, 2020 and September 30, 2019, respectively.
[2] For fiscal year ended September 30, 2019, PBGC did not have any specifically identified single-employer plans classified as probable in inventory.

For further detail regarding single-employer probables, see Note 2 under Present Value of Future Benefits (PVFB) subpoint (4) on pages 68-69.

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 1987-2019 at September 30, 2020			
Beginning in 1987, number of plans reported as Probable:	Number of Plans	Percent of Plans	Net Claim	Percent of Net Claim
Probables terminated	387	79%	$34,173	74%
Probables not yet terminated or deleted	-	0%	-	0%
Probables deleted	103	21%	12,032	26%
Total	490	100%	$46,205	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 FINANCIAL ASSISTANCE

(Dollars in millions)	**September 30, 2020**	September 30, 2019
Gross balance at beginning of year	**$1,497**	$1,335
Financial assistance payments	**164**	160
Financial assistance - premiums waived	**2**	2
Write-offs related to settlement agreements	**0** *	0 *
Subtotal	**1,663**	1,497
Allowance for uncollectible amounts	**(1,663)**	(1,497)
Net balance at end of year	**$ -**	$ -

* Less than $500,000

The Underwriting losses from financial assistance (insolvent plans) and probable financial assistance reflected in the Statements of Operations and Changes in Net Position 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 and Changes in Net Position. 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.

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.

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.

In FY 2020, 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, 2020, the Corporation expects that 192 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 192 plans is $66,865 million (inclusive of the reserve for small ongoing plan losses not individually identified, and $18 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 192 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 FINANCIAL ASSISTANCE

	September 30, 2020		September 30, 2019	
(Dollars in millions)	**Number of Plans**	**Net Liability**	Number of Plans	Net Liability
Plans currently receiving financial assistance	**91** [1]	**$2,994** [2]	85	$2,807
Plans that have terminated but have not yet started receiving financial assistance (classified as probable)	**61** [3]	**2,072**	65	1,955
Ongoing plans (not terminated) that the Corporation expects will require financial assistance in the future (classified as probable)	**40** [4]	**61,799** [5,6]	41	63,233 [6]
Total	**192**	**$66,865**	191	$67,995

[1] Three new plans were added to "Plans currently receiving financial assistance", four plans transferred from "Plans that have terminated but have not yet started receiving financial assistance" to "Plans currently receiving financial assistance", and one plan was removed from inventory due to a closeout via annuity purchase.

[2] Net liability for "Plans currently receiving financial assistance" includes $18 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] Two new plans were added to "Plans that have terminated but have not yet started receiving financial assistance", four plans transferred to "Plans currently receiving financial assistance" from "Plans that have terminated but not yet receiving financial assistance", and two plans were removed from inventory.

[4] Four new plans were added to Ongoing plans", and five plans were removed from inventory.

[5]The Bipartisan American Miners Act of 2019, enacted December 2019, provides for annual payments from the U.S. Treasury to the United Mine Workers 1974 Pension Fund based on interest earned on the Abandoned Mine Reclamation Fund and other appropriations. In FY 2020, the amount transferred under this legislation totaled $1.57 billion (including retroactive transfers for fiscal years 2017 through 2019). Since these payments are projected to allow the UMWA fund to remain solvent, it is not expected to require financial assistance from PBGC. Therefore, the plan is no longer classified as an ongoing future probable (as it was in FY 2019), contributing to a reduction in liability.

[6] "Ongoing plans" include a small unidentified probable bulk reserve of $1,232 million and $1,149 million for September 30, 2020, and September 30, 2019, respectively.

Of the 192 plans:

a) 91 have exhausted plan assets and are currently receiving financial assistance payments from PBGC. The present value of future financial assistance payments for these insolvent 91 plans is $2,994 million (see sub note 2 above).

b) 61 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 61 terminated plans is $2,072 million.

c) 40 plans are ongoing (i.e., have not terminated), but PBGC expects they will exhaust plan assets and need financial assistance within 10 years. In this analysis, PBGC takes into account the current plan assets, future income (e.g., investment income, contribution income and withdrawal liability income) to the plan, and the possibility for future changes in contributions. The present value of future financial assistance payments for these 40 ongoing plans is $61,799 million.

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

(Dollars in millions)	**September 30, 2020**	September 30, 2019
Balance at beginning of year	**$67,995**	$56,153
Changes in allowance:		
Losses (credits) from insolvent and probable plans - financial assistance	**(1,137)**	11,662
Actuarial adjustments	**(34)**	(31)
Actuarial charges (credits) - Insolvent plans:		
Due to expected interest	**68**	74
Due to change in interest factors	**146**	297
Financial assistance granted (previously accrued)	**(164)**	(160)
Financial assistance granted through MPRA merger[1]	**(9)**	-
Balance at end of period	**$66,865**	$67,995

[1]PBGC approved its first facilitated merger of two multiemployer plans under MPRA that resulted in an additional $9 million in financial assistance in FY 2020.

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.

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, 2020**	September 30, 2019
Annual leave	**$13**	$10
Other payables and accrued expenses	**77**	79
Accounts payable and accrued expenses	**$90**	$89

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 $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, 2020. If a single-employer plan sponsor meets any of the following criteria, PBGC classifies the plan sponsor as reasonably possible:

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) has an S&P senior unsecured credit rating or an issuer credit rating less two notches of BB+ or below, or a Moody's senior unsecured credit rating or a corporate family rating less one notch of Ba1 or below. If the controlled group is not rated by Moody's and S&P, PBGC will use the Dun & Bradstreet Financial Stress Score (if available).

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

f. 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 measured as of December 31, 2019. The reasonably possible exposure to loss was $176,190 million for FY 2020. This is an increase of $21,517 million from the reasonably possible exposure of $154,673 million in FY 2019. This increase is primarily due to the decrease in the interest factors used for estimating exposure and the increase 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, 2018.

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, 2019. Effective FY 2020, PBGC changed the methodology for determining interest factors utilized to discount the reasonably possible exposure as compared to prior years. Specifically, PBGC now uses a yield curve of spot rates (interest factors), instead of select and ultimate factors previously used. PBGC surveys life insurance industry annuity prices through the American Council of Life Insurers (ACLI) to obtain input needed to determine these interest factors and then derives a 30-year curve of interest factors that, together with PBGC's mortality assumption used for reasonably possible exposure, best matches the private sector annuity prices from the ACLI surveys.

The yield curve and rates are shown below in spot rate format. Future payments are discounted by the single rate applicable for the period (years) in which the payment is expected to be made. For the December 31, 2019 measurement of reasonably possible exposure, the yield curve starts with an interest factor of 2.18% in year 1 and changes as the future period for discounting gets longer until year 31 when the factor becomes 2.26% and is assumed to remain level thereafter.

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

Period (in Years)	Interest Factor	Period (in Years)	Interest Factor	Period (in Years)	Interest Factor
1	2.18%	11	2.41%	21	2.46%
2	2.12%	12	2.41%	22	2.44%
3	2.15%	13	2.41%	23	2.41%
4	2.20%	14	2.42%	24	2.38%
5	2.24%	15	2.42%	25	2.35%
6	2.30%	16	2.42%	26	2.32%
7	2.34%	17	2.43%	27	2.29%
8	2.37%	18	2.43%	28	2.27%
9	2.39%	19	2.45%	29	2.26%
10	2.40%	20	2.47%	30	2.26%
			Longer Periods		2.26%

For the December 31, 2019 measurement of reasonably possible exposure, PBGC used the RP-2014 Healthy Male and Healthy Female mortality tables projected generationally using the MP-2019 male and female projections scales, respectively.

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

Note that the aforementioned 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 presented in Note 6. Due to the amount of time required to develop the reasonably possible exposure, it is measured as of the prior December 31, rather than as of the fiscal year-end.

In FY 2019, PBGC estimated the reasonably possible exposure as of December 31, 2018 using a 20-year select interest factor of 3.05% followed by an ultimate factor of 3.04% thereafter, and applying the expense load as defined in 29 CFR Part 4044, Appendix C. The interest factors were derived in conjunction with the 1994 Group Annuity Mortality Static Table (with margins) projected to 2028 using Scale AA to approximate annuity prices as of December 31, 2018.

The underfunding associated with these plans could be substantially different at September 30, 2020, because of changes in economic conditions between December 31, 2019, and September 30, 2020. PBGC did not adjust the estimate for events that occurred between December 31, 2019, and September 30, 2020.

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

REASONABLY POSSIBLE EXPOSURE TO LOSS BY INDUSTRY (PRINCIPAL CATEGORIES)

(Dollars in millions)	**FY 2020**	FY 2019
Manufacturing	**$61,568**	$57,706
Transportation, Communication and Utilities	**43,345**	41,699
Services	**36,949**	26,027
Wholesale and Retail Trade	**10,975**	10,922
Health Care	**10,120**	7,625
Finance, Insurance, and Real Estate	**6,435**	5,380
Agriculture, Mining, and Construction	**6,798**	5,314
Total	**$176,190**	$154,673

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, 2020, that it is reasonably possible that other multiemployer plans may require future financial assistance in the amount of $9,312 million, a $1,559 million decrease from the $10,871 million in FY 2019. The primary reason for the decrease in exposure was due to the net effect of removing three larger plans that are no longer classified as reasonably possible. These three plans had net liabilities greater than the net liabilities of five new plans classified as reasonably possible. Another driver of the decrease was the decline in the reasonably possible small plan bulk reserve. The decline in yield curve rates had an offsetting effect on the exposure. 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, 2020, or the projected (or actual, if known) date of plan insolvency, discounted back to September 30, 2020. 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 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.

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 $353.1 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, 2020, are:

COMMITMENTS: FUTURE LEASE PAYMENTS

(Dollars in millions)	
Years Ending September 30,	Operating Leases
2021	$ 15.3
2022	16.8
2023	23.1
2024	22.6
2025	22.6
Thereafter	252.7
Minimum lease payments	$ 353.1

In addition to the committed minimum operating lease payments of $353.1 million as noted in the table above, PBGC has estimated future uncommitted operating leases of $3.0 million.

Lease expenses were $15.9 million in FY 2020 and $17.1 million in FY 2019.

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 2020, the per-participant flat rate premium was $83 for single-employer pension plans and $30 for multiemployer plans. For plan years 2019 and 2018, the per-participant flat rate premiums for single-employer pension plans were $80 and $74, respectively, and for multiemployer plans, $29 and $28, respectively.

Single-employer plans also owe a variable rate premium (VRP) tied to the amount of underfunding, if any. For plan years beginning in 2020, the VRP rate was $45 per $1,000 of unfunded vested benefits subject to an overall cap of $561 per participant. For plan years 2019 and 2018, the VRP rates were $43 and $38, 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.

Net premium income for FY 2020 was $5,985 million and consisted of $3,770 million in VRPs, $2,198 million in flat rate premiums, $12 million in termination premiums, $2 million in interest and penalty income, and a credit of $3 million to bad debt expense. Bad debt expenses include a reserve for uncollectible premium receivables (including flat, variable, termination premiums, and insolvent multiemployer plans), interest, and penalties. 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, FY 2020 premium 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 $62 million and lower flat rate premiums of $17 million.

Net premium income for FY 2019 was $6,662 million and consisted of $4,488 million in VRPs, $2,194 million in flat rate premiums, $4 million in termination premiums, and $4 million in interest and penalty income, offset by a bad debt expense of $28 million. 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 2018 through 2020:

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 UVBs	Per Participant Cap	Flat Rate Premium Rate Per Participant
2020	$83	$45	$561	$30
2019	$80	$43	$541	$29
2018	$74	$38	$523	$28

Premium income is accrued for months in which a plan year overlaps the fiscal year. Because of this rule, premiums for 2018, 2019, and 2020 plan years are accrued in FY 2020, and premium rates change each calendar year, so three sets of premium rates were used to calculate FY 2020 premium revenue.

For example, consider a plan with a September 1, 2019 to August 31, 2020 plan year. Only the first month of that plan year occurs during FY 2019, so 1/12 of the plan's premium was accrued in FY 2019 and 11/12 accrued in FY 2020. Similarly, for a plan with a December 1, 2018 to November 30, 2019 plan year, the last two months of that plan year occur during FY 2020, so 2/12 of the plan's premium income was accrued in FY 2020 and 10/12 was accrued in FY 2019.

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

Net Premiums Receivable

(Dollars in millions)	Single-Employer Sept. 30, 2020	Single-Employer Sept. 30, 2019	Multiemployer Sept. 30, 2020	Multiemployer Sept. 30, 2019	Memorandum Total Sept. 30, 2020	Memorandum Total Sept. 30, 2019
Premiums Not Yet Due:						
Estimated Flat-Rate Premiums	**$1,090**	$1,124	**$186**	$173	**$1,276**	$1,297
Estimated Variable-Rate Premiums	**2,102**	2,995	**-**	-	**2,102**	2,995
Total Net Premiums Not Yet Due	**3,192**	4,119	**186**	173	**3,378**	4,292
Premiums Past Due:						
Flat-Rate Premiums	**157**	149	**6**	8	**163**	157
Allowance for Bad Debt-Flat-Rate	**(1)**	(3)	**0 ***	0 *	**(1)**	(3)
Variable-Rate Premiums	**248**	244	**-**	-	**248**	244
Allowance for Bad Debt-Variable-Rate	**(3)**	(5)	**-**	-	**(3)**	(5)
Total Net Premiums Past Due	**401**	385	**6**	8	**407**	393
Termination Premiums:[1]						
Termination Premiums	**304**	305	**-**	-	**304**	305
Allowance for Bad Debt-Termination	**(292)**	(296)	**-**	-	**(292)**	(296)
	12	9	**-**	-	**12**	9
Interest and Penalty:						
Interest and Penalty Due	**1**	3	**1**	0 *	**2**	3
Allowance for Bad Debt-Int/Penalty	**0 ***	(1)	**(1)**	0 *	**(1)**	(1)
Total Net Interest and Penalty Due	**1**	2	**0 ***	0 *	**1**	2
Grand Total Net Premiums Receivable	**$3,606**	$4,515	**$192**	$181	**$3,798**	$4,696

* 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, 2020**	September 30, 2019
Flat-Rate Premium:		
Single-Employer	**$1,874**	$1,882
Multiemployer	**324**	312
Total Flat-Rate Premium	**2,198**	2,194
Variable-Rate Premiums	**3,770**	4,488
Interest and Penalty Income	**2**	4
Termination Premium	**12**	4
Less Bad Debts for Premiums, Interest, and Penalties	**3**	(28)
Total Net Premiums	**$5,985**	$6,662

PREMIUM INCOME BY PROGRAM

(Dollars in millions)	**September 30, 2020**	September 30, 2019
Single-Employer:		
Flat-Rate and Variable-Rate Premiums	**$5,644**	$6,370
Interest and Penalty Income	**1**	4
Termination Premiums	**12**	4
Less Bad Debts for Premiums, Interest, and Penalties	**6**	(26)
Total Single-Employer	**5,663**	6,352
Multiemployer:		
Flat-Rate Premiums	**324**	312
Interest and Penalty Income	**1**	0 *
Less Bad Debts for Premiums, Interest, and Penalties	**(3)**	(2)
Total Multiemployer	**322**	310
Total Net Premiums	**$5,985**	$6,662

* 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,					
	2020			2019		
(Dollars in millions)	**New Terminations**	**Changes in Prior Years' Terminations[6]**	**Total**	New Terminations	Changes in Prior Years' Terminations[6]	Total
Present value of future benefits	**$5,500**	**($105)**	**$5,395**	$4,614	($59)	$4,555
Less plan assets	**3,423**	**85**	**3,508**	3,060	121	3,181
Plan asset insufficiency	**2,077[1]**	**(190)**	**1,887**	1,554	(180)	1,374
Less estimated recoveries	**-**	**(10)**	**(10)**	-	(61)	(61)
Subtotal	**2,077[2]**	**(180)**	**1,897**	1,554[2]	(119)	1,435
Settlements and judgments		**0*[7]**	**0*[7]**		0*[7]	0*[7]
Loss (credit) on probables	**103[3]**	**(74)[4]**	**29[5]**	(1,354)[3]	10[4]	(1,344)[5]
Total	**$2,180**	**($254)**	**$1,926**	$200	($109)	$91

* Less than $500,000

[1] Includes Missing Participant activity; if excluded the Present value of future benefits for New Terminations would be $5,414 million, Plan assets $3,337 million and Plan asset insufficiency $2,077 million.

[2] Net claim for plans terminated during the period (67 plans at September 30, 2020 and 47 plans at September 30, 2019), 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] See Note 6 - includes $103 million at September 30, 2020, and $1,354 million at September 30, 2019, previously recorded relating to plans that terminated during the period ("Actual terminations").

[6] 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.

[7] 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, 2020 and September 30, 2019, 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, 2020**	**Multiemployer Program Sept. 30, 2020**	**Memorandum Total Sept. 30, 2020**	Single-Employer Program Sept. 30, 2019	Multiemployer Program Sept. 30, 2019	Memorandum Total Sept. 30, 2019
Fixed maturity securities:						
Interest earned	**$2,633**	**$37**	**$2,670**	$2,629	$68	$2,697
Realized gain (loss)	**6,372**	**32**	**6,404**	3,808	101	3,909
Unrealized gain (loss)	**1,502**	**111**	**1,613**	7,913	273	8,186
Total fixed maturity securities	**10,507**	**180**	**10,687**	14,350	442	14,792
Equity securities:						
Dividends earned	**54**	**-**	**54**	122	-	122
Realized gain (loss)	**1,749**	**-**	**1,749**	1,636	-	1,636
Unrealized gain (loss)	**284**	**-**	**284**	(1,697)	-	(1,697)
Total equity securities	**2,087**	**-**	**2,087**	61	-	61
Private equity:						
Distributions earned	**2**	**-**	**2**	0 *	-	0 *
Realized gain (loss)	**74**	**-**	**74**	103	-	103
Unrealized gain (loss)	**(93)**	**-**	**(93)**	(86)	-	(86)
Total private equity	**(17)**	**-**	**(17)**	17	-	17
Real estate:						
Distributions earned	**43**	**-**	**43**	0 *	-	0 *
Realized gain (loss)	**218**	**-**	**218**	444	-	444
Unrealized gain (loss)	**(379)**	**-**	**(379)**	(58)	-	(58)
Total real estate	**(118)**	**-**	**(118)**	386	-	386
Other income:						
Distributions earned	**3**	**-**	**3**	6	-	6
Realized gain (loss)	**8**	**-**	**8 ***	0 *	-	0 *
Unrealized gain (loss)	**0 ***	**-**	**0 ***	0 *	-	0 *
Total other income	**11**	**-**	**11**	6	-	6
Total investment income	**$12,470**	**$180**	**$12,650**	$14,820	$442	$15,262

*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 $30 million in FY 2020 and $26 million in FY 2019. 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)	**2020**	2019
Proceeds from sales of investments:		
Fixed maturity securities	**$159,258**	$122,569
Equity securities	**13,217**	8,853
Other/uncategorized	**8,261**	6,565
Memorandum total	**$180,736**	$137,987
Payments for purchases of investments:		
Fixed maturity securities	**($166,585)**	($129,940)
Equity securities	**(9,688)**	(6,329)
Other/uncategorized	**(6,939)**	(4,116)
Memorandum total	**($183,212)**	($140,385)

The following is a reconciliation between the net income as reported in the Statements of Operations and Changes in Net Position 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)	**2020**	2019	**2020**	2019	**2020**	2019
Net income (loss)	**$6,822**	$6,217	**$1,417**	($11,290)	**$8,239**	($5,073)
Adjustments to reconcile net income to net cash provided by operating activities:						
Net (appreciation) decline in fair value of investments	**(9,777)**	(12,066)	**(112)**	(360)	**(9,889)**	(12,426)
Net (gain) loss of plans pending termination and trusteeship	**19**	(5)	**-**	-	**19**	(5)
Losses (credits) on completed and probable terminations	**1,926**	91	**-**	-	**1,926**	91
Actuarial charges (credits)	**8,875**	14,409	**-**	-	**8,875**	14,409
Benefit payments - trusteed plans	**(6,069)**	(5,960)	**-**	-	**(6,069)**	(5,960)
Settlements and judgments	**0**	(1)	**-**	-	**0**	(1)
Cash received from plans upon trusteeship	**(23)**	385	**-**	-	**(23)**	385
Receipts from sponsors/non-sponsors	**131**	(115)	**-**	-	**131**	(115)
Receipts for missing participants and other	**82**	37	**-**	-	**82**	37
EL/DUEC Trusteeship interest (non-cash)	**(26)**	(45)	**-**	-	**(26)**	(45)
Cash receipts timing from Trust to Revolving	**-**	-	**-**	-	**-**	-
Amortization of discounts/premiums	**217**	47	**14**	4	**231**	51
Amortization and Depreciation expense	**8**	11	**-**	-	**8**	11
Bad debt expense/Write-offs (net)	**16**	14	**-**	-	**16**	14
Changes in assets and liabilities, net of effects of trusteed and pending plans:						
(Increase) decrease in receivables	**954**	(927)	**(5)**	(8)	**949**	(935)
Increase in present value of nonrecoverable future financial assistance	**-**	-	**(1,130)**	11,842	**(1,130)**	11,842
Increase (decrease) in unearned premiums	**5**	51	**(1)**	(5)	**4**	46
Increase (decrease) in accounts payable	**1**	14	**-**	-	**1**	14
Net cash provided (used) by operating activities	**$3,161**	$2,157	**$183**	$183	**$3,344**	$2,340

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 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

FY 2019	September 30, 2019 Single-Employer			September 30, 2019 Multiemployer			September 30, 2019 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	(6)	3	1	(1)	0 *	10	(7)	3
Internal Use Software - In Development	2	n/a	2	0 *	n/a	0 *	2	n/a	2
Internal Use Software	129	(116)	13	8	(7)	1	137	(123)	14
Total	$140	($122)	$18	$9	($8)	$1	$149	($130)	$19

* Less than $500,000

Combined depreciation and amortization expense was $8 million and $11 million for FY 2020 and FY 2019, respectively. 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

	September 30,			
(Dollars in millions)	**2020**		2019	
Combined property and equipment, net at beginning of year		**$ 19**		$ 26
Capitalized Acquisitions	**11**		5	
Dispositions	**(2)**		(7)	
Depreciation/Amortization	**(8)**		(5)	
Net change of property and equipment		**1**		(7)
Combined property and equipment, net at end of year		**$20**		$19

The following table displays the detail of Other Receivables 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.

Other receivables include amounts due from others that are not included in another receivable account and that result from events that give PBGC a claim for future asset inflows until such time as they are collected, converted into other resources, or determined to be partially or wholly uncollectible.

OTHER RECEIVABES

(Dollars in millions)	Sept. 30 2020	Sept. 30 2019
EL Receivables	**$23**	**$17**
DUEC Receivables	**3**	**3**
Other Receivables	**6**	**6**
Total	**$32**	**$26**

NOTE 17: LITIGATION

Legal challenges to PBGC's policies and positions continued in FY 2020. At the end of the fiscal year, PBGC had 18 active cases in state and federal courts and 152 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 estimate with any degree of certainty the possible losses it could incur in the event it does not prevail in these matters.

NOTE 18: SUBSEQUENT EVENTS

PBGC evaluated subsequent events through publication on December 9, 2020, the date the financial statements were available to be issued.

CONDITIONS THAT EXISTED AT SEPTEMBER 30, 2020

Events or transactions for the Multiemployer Program, occurring after September 30, 2020, and before the financial statements were available to be issued, that provided additional evidence about conditions that existed at September 30, 2020, have been recognized in the financial statements. For the Single-Employer Program there was one non-recognized subsequent event as follows:

PBGC's premium rates regulation (29 CFR part 4006) provides rules for determining a plan's unfunded vested benefits for purposes of calculating the variable-rate premium (VRP). Section 4006.4(c) requires that to determine the value of a plan's assets for this purpose, "prior year contributions are included only to the extent received by the plan by the date the premium is filed." The last date for a timely premium filing is the due date provided in § 4007.11(a) of PBGC's premium payment regulation (29 CFR part 4007), e.g., October 15 for a calendar year plan.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136 ("CARES Act") was signed into law. Section 3608(a)(1) of the CARES Act provides that any minimum required contribution that would otherwise be due under section 303(j) of the Employee Retirement Income Security Act (ERISA) during calendar year 2020 is due on January 1, 2021. The CARES Act did not provide any special rules related to PBGC premiums.

On August 6, 2020, the Internal Revenue Service (IRS) issued Notice 2020-61, Special Funding and Benefit Limitation Rules for Single-Employer Defined Benefit Plans under the CARES Act. Q&A 4 states that the extended due date under section 3608(a) of the CARES Act also applies to contributions in excess of the amount needed to satisfy the minimum required contribution for the plan year. On November 16, 2020, the IRS issued Notice 2020-82 that stated that the IRS will consider a contribution with an extended due date of January 1, 2021 to be timely if it is made by January 4, 2021.

Accordingly, PBGC provided relief under Technical Update 20-2 (issued September 23, 2020 and revised on November 16, 2020), that for premium filings due on or after March 1, 2020 and before January 1, 2021, the date by which prior year contributions must be received by the plan to be included in plan assets under § 4006.4(c) of PBGC's premium rates regulation is extended to January 4, 2021. This relief is limited to filings amended on or before February 1, 2021.

Using a calendar year plan to illustrate the various due dates as they relate to PBGC premium filings:

- The premium for the 2020 plan year is due October 15, 2020.
- The due date for 2019 plan year contributions was extended from September 15, 2020 to January 1, 2021.
- Absent the relief provided and assuming the premium is filed on October 15, 2020, the discounted value of contributions for the 2019 plan year received by the plan:
    - On or before October 15, 2020, are included in the asset value used to determine the 2020 VRP, and
    - After October 15, 2020, are not included in the asset value used to determine the 2020 VRP.
    - Because of the relief provided, if the sponsor makes a contribution for the 2019 plan year after October 15, 2020 and on or before January 4, 2021 (the last day that a contribution under the CARES Act extended due date will be considered timely), the 2020 premium filing may be amended to reflect the higher asset value (i.e., to include the discounted value of such contributions).

The intentions of plan sponsors to make additional prior year contributions to be made by January 4, 2021, and the dollar amounts of such contributions, cannot be estimated by PBGC with any practical certainty. This relief is available to most of the Single-Employer Program pension plans because most plans have a calendar year plan year, with premium filings due by October 15, 2020. These calendar year plans may amend their premium filing to include any prior year contributions made on or before January 4, 2021, lowering their variable rate premium owed for the 2020 plan year. Given the uncertainty, PBGC cannot provide additional evidence (i.e., dollar estimate) about the effect of the relief on conditions on September 30, 2020. PBGC plans to recognize premium income reductions resulting from any amended premium filings at the time the amended premium filings are received by PBGC, i.e., these premium income reductions will be recognized in PBGC's FY 2021 financial statements.

CONDITIONS THAT AROSE AFTER SEPTEMBER 30, 2020

For the fiscal year ended September 30, 2020, there were two non-recognized subsequent events or transactions for the Single-Employer Program that provided evidence about conditions that did not exist on September 30, 2020, and which arose before the financial statements were available to be issued. Subsequent to September 30, 2020, business and financial conditions significantly declined for sponsors of two single-employer plans with unfunded guaranteed liabilities of $281 million. Had these events occurred on or prior to September 30, 2020, PBGC's financial statements would have reflected an additional loss of $281 million resulting in a FY 2020 single-employer net income of $6,541 million and a FY 2020 single-employer net position of $15,197 million.

For the fiscal year ended September 30, 2020, there were no non-recognized subsequent events or transactions for the Multiemployer Program that provided evidence about conditions that did not exist on September 30, 2020, and which arose before the financial statements were available to be issued.

IMPROPER PAYMENT 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 Step 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 2020 IMPROPER PAYMENT RISK ASSESSMENT

In FY 2020, PBGC performed a risk assessment of Payments to Federal Employees in accordance with our three-year rotation strategy. In performing the risk assessment, 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; inherent risks of improper payments due to the nature of agency programs or operations; whether the program is new to the agency; whether payments or payment eligibility decisions are made outside of PBGC; and any significant deficiencies in the audit reports issued by the PBGC Office of Inspector General (OIG) and the Government Accountability Office (GAO), and the results from prior risk assessments.

To be considered susceptible to significant risk of improper payments, OMB guidance specifies that gross annual improper payments (i.e., the total amount of overpayments plus underpayments) 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 improper payment percentage of total program outlays). Based on the results of the Step 1 risk assessment, PBGC determined that the Payments to

[1] This references 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). While Congress passed the Payment Integrity Information Act of 2019 (PIIA) in March 2020, OMB has not released implementation guidance to Federal agencies. However, PBGC considered the factors described in PIIA in the agency's FY 2020 risk assessment and annual report.

Federal Employees Payments stream was 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. Further, improper payment assessments performed in prior years have found the Benefit Payment transaction cycle not to be susceptible to significant risk of improper payments and did not identify significant benefit calculation errors. In addition, the Office of Benefit Administration (OBA) formally documented a risk acceptance policy associated with legacy documentation issues identified in prior years. No further corrective actions were needed.
- As a result of using the DMF, PBGC was able to stop 17,378 payments in FY 2020 totaling $7.4M. Additionally, PBGC was successful in reclaiming $8M of cumulative overpayments and recovering another $1.8M of cumulative overpayments in FY 2020.
- 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 2020, 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.

2020 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 2019 for the Single-Employer and Multiemployer Programs.

PRESENT VALUE OF FUTURE BENEFITS AND NONRECOVERABLE FINANCIAL ASSISTANCE – 2020

	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)	4,549	1,022	$82,254
2. Seriatim at DOPT, adjusted to FYE	174	185	20,231
3. Nonserieatim[1]	308	246	18,929
4. Missing Participants Program (seriatim)[2]	-	30	188
Subtotal	5,031	1,483	$121,602
B. Probable terminations (nonseriatim)[3]	1	3	$429
Total[4]	5,032	1,486	$122,031
II. MULTIEMPLOYER PROGRAM			
A. Pre-MPPAA terminations (seriatim)	10	0*	$0**
B. Pre-MPPAA liability (net of plan assets)			
1. Currently Receiving Assistance[5]	91	97	2,994
2. Probable for Assistance	101	1,124	63,871
Total	202	1,221	$66,865

* Fewer than 500 participants

**Less than $500,000

Notes:

1) Liability for terminated plans includes an estimated liability of $17 million in settled litigation.
2) The Missing Participants Program refers to a liability that PBGC assumed for unlocated participants in plan terminations under PBGC's expanded missing participants program.
3) The net claims for probable plans reported in the financial statements include $99 million for not-yet-identified probable terminations. The assets for the probable plans, including the expected value of recoveries on employer liability and due-and-unpaid employer contributions claims, are $227 million. Thus, the net claims for probable terminations as reported in the financial statements are $429 million less $227 million, or $202 million.
4) The PVFB in the financial statements ($120,430 million) is net of estimated plan assets and recoveries on probable terminations ($227 million), estimated recoveries on terminated plans ($137 million), and estimated assets for plans pending trusteeship ($1,237 million), or, $122,031 million less $227 million less $137 million less $1,237 million = $120,430 million.
5) For the first time this year 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 payment was made in January 2020, the following two payments will be made in January 2021, and January 2022. This plan is not counted as Currently Receiving Financial Assistance.

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 4,549 plans, representing about 90 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 71 plans over the 4,478 plans valued seriatim last year. For 174 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 2020 on a nonseriatim basis.

For 308 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 2020 using certain assumptions and adjustment factors.

For September 30, 2020, the spot rate yield curve 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% and is assumed to remain level thereafter. For September 30, 2019, the spot rate yield curve started with an interest factor of 2.36% in year 1 and the interest factor for year 31 and beyond was 1.98%. 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-2019. In fiscal year 2019, we used the same mortality tables, except with each table projected generationally using Scale MP-2018.

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-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. The Corporation expected 192 individually identified multiemployer plans to need financial assistance because severe industrial declines have left them with inadequate contribution bases and they had insufficient assets for current payments or were expected to run out of assets in the foreseeable future.

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, 2020.

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
Pension Benefit Guaranty Corporation
Director, Actuarial Services and Technology Department

INDEPENDENT AUDIT AND MANAGEMENT'S RESPONSE

Office of Inspector General

December 9, 2020

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 year ended September 30, 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. 19-03, "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, 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 28th consecutive unmodified financial statement audit opinion. The financial statements of PBGC for the year ended September 30, 2019, were audited by CliftonLarsonAllen LLP (CLA), who expressed an unmodified opinion on those statements on November 15, 2019.

- PBGC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020, 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, 2020, PBGC has two significant deficiencies: (1) Controls over Actuarial Liability Estimates and (2) Controls over Information Systems - Segregation of Duties.

- 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 December 9, 2020 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-2021-02/FA-20-148-1) is also available on our website at oig.pbgc.gov.

Respectfully,

Nicholas J. Novak
Acting Inspector General

cc: Gordon Hartogensis
Patricia Kelly
Alice Maroni
Kristin Chapman
David Foley
Karen Morris
Andy Banducci
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 (PBGC), which comprise the statements of financial position as of September 30, 2020*,* and the related statements of operations and changes in net position and cash flows of the Single-Employer and Multiemployer Program Funds administered by the PBGC for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States, 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. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 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 PBGC's preparation and fair presentation of the financial statements in order to design

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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 PBGC as of September 30, 2020, and the results of their operations and cash flows for the year then ended, in accordance 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 which termination is reasonably possible as a result of unfunded vested benefits are estimated to be approximately $176 billion. Management calculated the potential losses from single-employer plans 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, 2018, and adjusted the value reported for liabilities to the estimated balance as of December 31, 2019, using actuarial assumptions. PBGC did not adjust the estimate for economic conditions that occurred between December 31, 2019 and September 30, 2020, and as a result, the underfunding for the Single-Employer Program as of September 30, 2020, could be substantially different. Our opinion is not modified with respect to this matter.

Report of Other Auditors on PBGC's FY 2019 Financial Statements

The financial statements of PBGC for the year ended September 30, 2019, were audited by other auditors who expressed an unmodified opinion on those statements on November 15, 2019. The report included a similar emphasis of matter as that disclosed in the paragraph above related to estimates of potential losses recorded as Single Employer reasonably possible contingencies.

Other Information

Our audit was conducted for the purpose of forming opinions on PBGC'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 PBGC Programs, Fiscal Year (FY) 2020 Financial Statement Highlights, Management's Discussion and Analysis, Analysis of Entity's Systems, Controls and Legal Compliance, Management Representation, Improper Payment Reporting, 2020 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 information has not been subjected to the auditing procedures applied in the audit of the basic 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 have also issued our report dated December 9, 2020, on our audit of PBGC'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 have also issued our report dated December 9, 2020, on our tests of PBGC'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 PBGC's internal control over financial reporting and compliance.

Ernst & Young LLP

December 9, 2020

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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 (PBGC) internal control over financial reporting as of September 30, 2020, 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.

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 PBGC'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 Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 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.

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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, PBGC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020, 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 discussed in **Exhibit I**, our audit identified deficiencies in PBGC's controls over actuarial estimations and information systems that represent significant deficiencies in PBGC's internal control over financial reporting.

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PBGC's Response to Findings

PBGC's response to the findings identified in **Exhibit I** of our report is included in **Exhibit II**. We did not audit management's response and, accordingly, 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. 19-03, *Audit Requirements for Federal Financial Statements,* the financial statements of the PBGC, which comprise the statement of financial position as of September 30, 2020, and the related statements of operations and changes in net position and cash flows of the Single-Employer and Multiemployer Program Funds administered by the PBGC for the year then ended, and the related notes to the financial statements. Our report dated December 9, 2020, expressed an unmodified opinion thereon.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020, on our tests of PBGC'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 PBGC's compliance.

Ernst + Young LLP

December 9, 2020

Exhibit I

Internal Control Significant Deficiencies

Actuarial Liability Estimates

The present value of future benefits (PVFB) is the estimated liability for future pension benefits that the Pension Benefit Guaranty Corporation (PBGC) is or will be obligated to pay the participants of Single-Employer trusteed plans and the net liability for plans pending termination and trusteeship. PBGC uses a combination of two methods to calculate the PVFB liability – seriatim and nonseriatim. The seriatim method is used when PBGC has sufficient accurate data to calculate the liability separately for each participant's benefit. The nonseriatim method is used when PBGC does not have sufficient accurate or complete data to value individual benefits. The present value of nonrecoverable future financial assistance (PVNRFFA) 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 values of the PVFB and PVNRFFA are particularly sensitive to changes in underlying estimates and assumptions.

In accordance with FMFIA, management is responsible for establishing and maintaining internal controls that enable an agency to provide reasonable assurances over obligations and costs. PBGC continues to develop and execute corrective actions to remediate previously reported internal control deficiencies related to its actuarial liability estimates. In fact, PBGC remediated several previously identified internal control deficiencies by executing sensitivity analyses and developing reasonableness thresholds for PVFB and PVNRFFA estimates, and conducting an experience study over its 10-year projected insolvency criteria for PVNRFFA estimates. However, due to the time-consuming process that is required to enact previously recommended corrective actions, the following internal control deficiencies continue to exist that could lead to inaccuracies in the estimation process. We considered these deficiencies, in aggregate, to be a significant deficiency.

- The experience studies on which the PVFB and PVNRFFA expected retirement age and PVNRFFA withdrawal liability payment collectability assumptions are set are outdated. In addition, PBGC has not completed an experience study related to PVNRFFA administrative expenses. Therefore, PBGC management may not be using the most up-to-date and relevant assumptions.

- Although sensitivity analyses were conducted during the current year, PBGC has not yet conducted sensitivity analyses related to PVNRFFA administrative expenses or over PVFB and PVNRFFA expected retirement age assumptions. Lack of sensitivity analyses prevents PBGC from assessing estimation uncertainty related to these assumptions.

- PBGC lacked adequate documentation of rationale for the following assumptions and methods, and therefore is unable to support the use of these assumptions within the estimates:

  PVFB nonseriatim: Percent male and smoothing adjustment for benefit projections assumptions.

  PVNRFFA: Subcase count, subcase attained age, subcase liability distribution, expected retirement age, expected contribution, normal cost projection and new entrants, administrative expenses, percent male, assent blend and expected return on assets.

Recommendations

PBGC should consider taking the following corrective actions to remediate the internal control deficiencies identified above:

- Conduct an experience study for PVFB and PVNRFFA expected retirement age, vs. actual retirement age, as well an experience study for the PVNRFFA withdrawal liability payment collectability and administrative expenses assumption (2021-02-01).

- Conduct sensitivity analyses over PVNRFFA administrative expenses and over PVFB and PVNRFFA expected retirement age assumptions (2021-02-02).

- Document rationale for and/or update the following assumptions and methods:

  PVFB nonseriatim: Percent male and smoothing adjustment for benefit projections assumptions (2021-02-03).

  PVNRFFA: Subcase count, subcase attained age, subcase liability distribution, expected retirement age, expected contribution, normal cost projection and new entrants, administrative expenses, percent male, assent blend and expected return on assets (2021-02-04).

Information Systems – Segregation of Duties

PBGC has improved its identity and access management and configuration management controls for information technology (IT) systems supporting the financial reporting environment. PBGC has established a strong governance model and integrated a series of toolsets to monitor individual system and enterprise compliance with risk thresholds established by PBGC management. These efforts by PBGC management and its ongoing commitment to managing IT risks resulted in the reduction of the previously reported access control and configuration management significant deficiency.

However, during the current year, we identified control deficiencies in the areas of segregation of duties that we considered pervasive across the PBGC environment. The *Standards for Internal Controls in the Federal Government* issued by the Government Accountability Office (GAO) requires management to consider segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

These deficiencies were noted due to outdated or unenforced procedures related to the management of user roles and responsibilities across the PBGC environment. As a result, users maintained access to conflicting roles within the PBGC environment. This access if utilized could have circumvented established IT general controls. The following is a summary of the deficiencies that we considered in aggregate to be a significant deficiency.

- Segregation of duty rulesets were not designed effectively to mitigate weaknesses in PBGC's logical access authorizations to IT systems supporting financial reporting.

- User roles in supporting applications did not reconcile to the identity management system utilized by PBGC to manage segregation of duty conflicts within the corporation.

- A user maintained access to an IT system supporting financial reporting that constituted a segregation of duties risk, without appropriate monitoring or mitigating controls being implemented.

Recommendation

PBGC should consider taking the following corrective actions to remediate the internal control deficiencies identified above:

- Develop and update segregation of duty matrices to reflect the risk of multiple role assignments based on the current business operations of PBGC within the IT systems supporting the financial reporting environment (2021-02-05).

- Review existing role assignments based on updated segregation of duty matrices for existing conflicts and remediate them as appropriate (2021-02-06).

- Implement application monitoring controls to mitigate risks associated with required role assignments that violate separation of duty requirements (2021-02-07).

- Implement preventative mechanisms within their enterprise account management provisioning process to restrict the ability to assign conflicting roles without elevated approvals (2021-02-08).

- Ensure the enterprise account management solution is synchronized with application roles assigned within the IT systems supporting the financial reporting environment (2021-02-09).

- Increase the frequency of the periodic review of users with known separation of duties violation to determine management concurrence with the appropriateness of the access and their risk acceptance (2021-02-10).

Exhibit II

Pension Benefit Guaranty Corporation Managements Response FY2020 Independent Auditor Report September 30, 2020

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

Office of the Director

December 9, 2020

MEMORANDUM

To: Nick Novak
Acting Inspector General

From: Gordon Hartogensis
Director

Subject: Response to the Independent Auditor's Combined Audit Report for the FY 2020 Financial Statement Audit

Thank you, once again this year for the opportunity to comment on the Office of Inspector General's FY 2020 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 issues noted in this year's report. Work remains to be done, and 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
Andy Banducci
David Foley
Alice Maroni
Karen Morris
Robert Scherer
Paul Chalmers
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 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. 19-03, *Audit Requirements for Federal Financial Statements*, the financial statements of the Pension Benefit Guaranty Corporation (PBGC), which comprise the statement of financial position as of September 30, 2020, and the related statements of operations and changes in net position and cash flows of the Single-Employer and Multiemployer Program Funds administered by the PBGC for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2020. We also have audited PBGC's internal control over financial reporting as of September 30, 2020, 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 December 9, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PBGC'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 audit, 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. 19-03.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated December 9, 2020, on our audit of PBGC's internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PBGC'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 PBGC's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PBGC's compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

December 9, 2020

ORGANIZATION

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Chair

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Wilbur L. Ross, Jr.

Secretary of the Treasury
Steven T. Mnuchin

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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
Andrew Banducci

Chief of Staff
Kristin Chapman

Acting General Counsel
Paul Chalmers

OFFICE OF INSPECTOR GENERAL

Acting Inspector General
Nicholas J. Novak

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Director

Bankruptcy, Litigation and Terminations Department
Charles Finke
Deputy General Counsel

Bankruptcy, Transactions and Terminations Department
Kartar Khalsa
Deputy General Counsel

Budget Department
Kimberly Mayo
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Business Innovation Services Department
Vidhya Shyamsunder
Director

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Information Technology Infrastructure Operations Department
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Office of Benefits Administration
Janice Brown-Taylor
Deputy Chief

Office of Equal Employment Opportunity
Brenecia Watson
Director

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Rossi Marcelin
Deputy Chief

Office of Policy and External Affairs
Michael Rae
Deputy Chief

Participant Services Division
Jennifer Messina
Director

Plan Asset & Data Management Department
Michael Hutchins
Director

Policy Research and Analysis Department
Theodore Goldman
Director

Procurement Department
Juliet Felent
Director

Program Law and Policy Department
Dan Liebman
Deputy General Counsel

Quality Management Department
Diane Braunstein
Director

Risk Management Officer
Latreece Wade

Workplace Solutions Department
Alisa Cottone
Director

PBGC ADVISORY COMMITTEE

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Jeanmarie Grisi

Regina T. Jefferson

Jackson Miller

PARTICIPANT AND PLAN SPONSOR ADVOCATE

Constance A. Donovan