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PBGC SFA 22-07

Special Financial Assistance Assumptions

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I. Introduction and background

This guidance provides guidelines for changes to certain assumptions that plans may use for purposes of determining the amount of special financial assistance (SFA). Plans may, but are not required to, use the guidelines if they are reasonable for the plan.

This guidance is divided into four sections:

- Acceptable assumption changes,
- Generally acceptable assumption changes,
- Generally not acceptable assumption changes, and
- Additional information

Section 9704 of the American Rescue Plan (ARP) Act of 2021 (P.L. 117-2) added section 4262 to the Employee Retirement Income Security Act of 1974 (ERISA), which authorizes PBGC to provide special financial assistance (SFA) to eligible multiemployer plans. Certain multiemployer plans are eligible to apply for SFA if they are in critical and declining or critical status; were approved to suspend benefits under the Multiemployer Pension Reform Act of 2014 as of March 11, 2021; or became insolvent after December 16, 2014, and have not terminated as of March 11, 2021.

On July 8, 2022, PBGC published a rule that, once effective on August 8, 2022, finalized PBGC's SFA regulation and replaced an interim final rule issued on July 9, 2021. The final rule made some changes to the SFA regulation from the interim final rule.

The SFA regulation provides regulatory guidance to multiemployer plans on the requirements for SFA applications and related restrictions and conditions. This document, providing guidance on certain SFA assumptions, along with the SFA instructions for filing requirements and corresponding templates, provide additional guidance to multiemployer plan practitioners on how to prepare and file the required application information for SFA.

Section 4262(e) of ERISA generally looks to plan assumptions previously selected by the plan actuary (original assumptions) for calculating the amount of SFA. Section 4262(e)(4) provides a mechanism for a plan to propose changes to actuarial assumptions if it determines that the use of one or more of its original assumptions (other than the interest rate) is unreasonable.

Under § 4262.5(c) of PBGC's SFA regulation, a plan that proposes to change its original assumptions is required to describe in its application why any original assumption is no longer reasonable, assert that the plan proposes to use a changed assumption, and demonstrate in its application why the changed assumption is reasonable.

PBGC will consider the plan's changed assumption to be reasonable unless PBGC determines that the assumption is unreasonable or determines that a plan's changed assumptions are unreasonable in the aggregate. This guidance explains, for certain changed assumptions, when PBGC might (or might not) consider an assumption reasonable.

When a plan adopts an assumption that is needed to project cash flows beyond the period reflected in the most recent certification of plan status before January 1, 2021 (pre-2021 certification of plan status), PBGC considers this "extension" of an assumption to be an assumption change. Examples of assumptions that should have extensions are contribution base units (CBUs), administrative expenses, projection of the number of active participants, contribution rates, withdrawal liability payments for currently withdrawn employers, and withdrawal liability payments for future withdrawals.

To the extent a plan adopts such an extension of an assumption or proposes another change to an assumption in accordance with § 4262.5(c) of PBGC's SFA regulation, PBGC will accept the assumption changes provided the plan includes the information required by § 4262.5(c) in the application and the plan's demonstration shows the assumption is reasonable. If the changed assumption meets one of the criteria described in Section III. A – F of this guidance regarding acceptable assumption changes, it is sufficient to include a statement to that effect in order to meet the requirements of § 4262.5(c)(1)(iii) instead of providing a detailed demonstration.

The amount of SFA requested is determined as of the plan's "SFA measurement date." Within this document, except for a plan that filed its initial SFA application before August 8, 2022, when the interim final rule was in effect, a plan's SFA measurement date is defined in § 4262.2 of PBGC's SFA regulation as "the last day of the third calendar month immediately preceding the date the plan's initial application…was filed." For example, if the plan's initial application was filed on March 15, 2023, its SFA measurement date would be December 31, 2022; if the plan's initial application was filed on July 1, 2023, its SFA measurement date would be April 30, 2023. For a plan that submitted its initial SFA application under the interim final rule before August 8, 2022, its SFA measurement date is the last day of the calendar quarter immediately preceding the date the plan's initial application was filed.

II. Changes to the Assumptions Guidance

This document is an update to Special Financial Assistance Assumptions PBGC SFA 22-07 published on July 11, 2022, and updated on January 3, 2023. Below is a summary of the substantive changes made to this guidance since January 3, 2023. In addition to those changes listed in specific sections, this document has been modified to remove references to eligibility for SFA. This document is intended to only provide nonbinding guidance with respect to assumptions utilized for the determination of the SFA amount:

Section	Changes Made
VI.A.	Added footnote (new FN #1) to "***1. Assumption for first 10 years of projection period***" In the case of applications reflecting experience during or after the COVID period, the number of plan years reflected in the development of the assumption may be non-consecutive. See Example #3 in this section. Changed Example #3 to exclude comparison of 2019 CBUs to 2022 CBUs in development of the geometric average, as this could result in an unreasonable assumption given the 3-year experience period (2019-2022), which may include CBU influences other than COVID-19. Revised Example #4 to clarify PBGC's analysis of experience between the SFA measurement date and application filing date (or revised application filing date).

III. Acceptable assumption changes

If any changed assumption meets one of the criteria described in A – F of this section, the requirements of § 4262.5(c)(1)(iii) to demonstrate that the changed assumption is reasonable are not necessary; it is sufficient to include a statement to that effect instead of a detailed demonstration.

In accordance with the SFA instructions for filing requirements and corresponding templates, a plan is required to reflect any of the changed assumptions described in parts A. – E. but not F. of this section in the "Baseline" details. The changed assumptions described in this section are not required to be disclosed in the "Reconciliation" details. (For a description of Baseline and Reconciliation, see the SFA instructions posted on PBGC's website at *www.pbgc.gov*.)

A. Adoption of assumptions not previously factored into pre-2021 certification of plan status

A plan's certification of plan status generally does not utilize assumptions for projected CBUs or plan-related administrative expenses more than 20 years in the future. In addition, before the enactment of ARP, if a plan was projected to become insolvent in less than 20 years, the plan generally did not utilize assumptions for projected CBUs or plan-related administrative expenses for years after the projected insolvency date.

As such, as part of their SFA application, most plans will need to adopt a change in assumption for the later years in the SFA projection period not factored into the pre-2021 certification of plan status (the "post-certification projection years").

PBGC will accept the following assumptions for post-certification projection years.

1. CBU assumption

Unless PBGC determines that the CBU assumption used for the plan years projected in the pre-2021 certification of plan status is unreasonable, PBGC will accept a change in the CBU assumption for the post-certification projection years if the number of assumed CBUs for such years is the same or no less than the number assumed for the last full plan year for which a CBU assumption was utilized in the pre-2021 certification.

Example #1. If the pre-2021 certification of plan status projected the plan to go insolvent during the plan year beginning January 1, 2026, the last full plan year in which a CBU assumption was utilized is the plan year beginning January 1, 2025. The assumed CBUs for the 2025 plan year were 10,000. Unless PBGC determines that the CBU assumption used for plan years through 2025 is unreasonable, PBGC will accept an extension of the CBU assumption that assumes 10,000 CBUs in 2026 and future years.

Example #2. The pre-2021 certification of plan status projected a decrease of 2% per year in CBUs over the 20 years covered by the projection resulting in 1,000 CBUs for year 20. Unless PBGC determines that the CBU assumption that uses the same number of CBUs for each projection year as were assumed in the pre-2021 certification of plan status is unreasonable, PBGC will accept an extension of the CBU assumption that assumes 1,000 CBUs for years 21 – 30.

2. Administrative expense assumption

If PBGC determines that the administrative expense assumption used for the plan years in the pre-2021 certification of plan status (using the methodology from that certification) is reasonable, then PBGC will accept a change in an administrative expense assumption for the post-certification projection years if the rate of increase for administrative expenses for such years is the same or no more than the increase assumed for the last full plan year in the projection period used in the pre-2021 certification of plan status for which there was an assumption utilized, further adjusted to reflect the PBGC premium increase under section 4006(a)(3)(A) of ERISA that goes into effect in 2031, subject to a cap determined as a specified percentage (taken from the table below) of projected benefit payments for the same year to which administrative expenses are being projected.

Annual Benefit Payments for the Last Plan Year Ending On or Before the SFA Measurement Date	*Cap on Projected Administrative Expenses as a Percentage of Projected Annual Benefit Payments*
$100 million or more	6%
$50 million but less than $100 million	9%
$5 million but less than $50 million	12%
Less than $5 million	15%

While PBGC will not question the reasonableness of this acceptable extension of the administrative expense assumption, the application should include sufficient supporting information for PBGC to confirm that the assumed administrative expenses in the post-certification projection years have been calculated in a manner consistent with the above methodology.

Example #1. In a plan's pre-2021 certification of plan status, the plan was projected to become insolvent in the plan year beginning January 1, 2027. For the pre-2021 certification of plan status, administrative expenses were estimated as equal to the prior year's actual amount and assumed to increase by 2.0% per year through 2024, and to increase by 1.5% per year in 2025 and 2026. There was no assumption utilized for administrative expenses for years after 2027, and the last full plan year in the projections was 2026. Benefit payments for the last plan year ending on or before the SFA measurement date are $75 million. For this plan, if PBGC determines that the administrative expense assumption used for plan years through 2026 (using the methodology from the pre-2021 certification of plan status) is reasonable, then PBGC will accept an extension of the administrative expense assumption under which assumed administrative expenses in the post-certification years are calculated as follows:

- Calculate the assumed administrative expenses for each year, without application of the cap, as follows:
  - For years before 2027, assumed administrative expenses are determined in the same manner as in the pre-2021 certification of plan status. If the plan applies for SFA in 2022, the 2022 assumed administrative expenses are calculated as the actual 2021 amount increased by 2.0%. For 2023 through 2024, the assumed administrative expenses are 2.0% higher than the prior year's assumed administrative expenses. The 2025 assumed administrative expenses are 1.5% higher than the 2024 assumed administrative expenses, and 2026 assumed administrative expenses are 1.5% higher than the 2025 assumed administrative expenses.

− For 2027 through 2030, 1.5% higher than the prior year's assumed administrative expenses,

− For 2031, 1.5% higher than the 2030 assumed administrative expenses plus the amount needed to reflect the premium increase, and

− For years after 2031, 1.5% higher than the prior year's assumed administrative expenses.

- Apply the cap to the applicable post-certification projection years:

  − For all years after 2026, the projected administrative expenses determined above for each year are limited to 9% of the projected benefit payments for such year. The cap is 9% because the annual benefit payments for the last plan year ending on or before the SFA measurement date are between $50 and $100 million.

Example #2. A plan has annual benefit payments more than $100 million. The pre-2021 certification of plan status for the plan projected a 2.5% increase in administrative expenses each year. For 2040, the last full plan year of the projection in the pre-2021 certification of plan status, administrative expenses were equal to 7% of annual benefit payments. If PBGC determines that the administrative expense assumption used for plan years through 2040 (using the methodology from the pre-2021 certification of plan status) is reasonable (even though the amounts exceed the 6% of benefit payments threshold), PBGC will accept the extension of the administrative expense assumption for 2041 through 2051 (the post-certification projection years) with the 6% cap from the above table applied.

B. Proposed change to mortality assumption

PBGC will accept a change to the plan's healthy life mortality assumption if the plan adopts the Pri-2012 amount-weighted, employee and non-disabled annuitant Blue Collar tables (Pri2012(BC)) with a projection scale most recently published by the Retirement Plans Experience Committee (RPEC) of the Society of Actuaries or any projection scale published by the RPEC in the calendar year of the SFA measurement date (or any subsequent calendar year) or in the two calendar years preceding the SFA measurement date.

PBGC will also accept a change to the plan's disabled life mortality assumption if the plan adopts the Pri-2012 amount-weighted Disabled Retiree table with a projection scale most recently published by the RPEC or any projection scale published by the RPEC in the calendar year of the SFA measurement date (or any subsequent calendar year) or in the two calendar years preceding the SFA measurement date.

C. Proposed change to mortality improvement projection scale

PBGC will accept adoption of any mortality improvement projection scale most recently published by the RPEC or any projection scale published by the RPEC in the calendar year of the SFA measurement date (or any subsequent calendar year) or in the two calendar years preceding the SFA measurement date.

D. Proposed change to new entrant profile assumption

PBGC will accept a change to the plan's new entrant profile assumption if the distributions of age, service, and gender are based on the characteristics of the new entrants and rehires to the plan in the five plan years preceding the plan's SFA measurement date (reflecting all new entrants and rehires in those five plan years rather than only those remaining in service), and the age bands used in the new entrant profile are no greater than 10 years.

While PBGC will not question the reasonableness of this acceptable assumption, the application should include sufficient supporting information for PBGC to confirm that the assumed new entrant profile is based on the methodology described above. Specifically, the application should identify the new entrant profile assumption and should include the experience analysis separately for each of the last five plan years.

E. Proposed change to contribution rate assumption

PBGC will accept a change to the plan's contribution rate assumption if the assumption reflects anticipated actual employer contribution rates for the current and succeeding plan years consistent with the terms of one or more collective bargaining agreements or contribution allocation arrangements agreed to *prior to* July 9, 2021, but a plan cannot reflect a substantial contribution rate decrease negotiated after March 11, 2021, unless the plan provides the demonstration noted in § 4262.4(f)(4).

Note that contribution rate increases agreed to on or after July 9, 2021, must be disregarded even if they are agreed to before the SFA measurement date.

Example #1. The SFA measurement date for a plan is March 31, 2022. The collective bargaining agreement (CBA) for contributing employer A was entered into before July 9, 2021, and expires on March 31, 2024. The contribution rate under the CBA for employer A is $5.00 per base unit in 2022, $5.25 in 2023, and $5.50 in 2024. PBGC will accept $5.00 for 2022, $5.25 for 2023, and $5.50 for 2024 and subsequent years.

Example #2. The SFA measurement date for a plan is March 31, 2022. The collective bargaining agreement (CBA) for contributing employer B was entered into on or after July 9, 2021, and expires on December 31, 2025. The contribution rate under this new CBA for employer B is $6.00 per base unit in 2023, $6.25 in 2024, and $6.50 in 2025. The contribution rate under the prior CBA for employer B is $5.00 per base unit in 2020, $5.25 in 2021, and $5.50 in 2022. PBGC will accept $5.50 for 2022 and subsequent years.

F. Proposed change for "missing" terminated vested participants

Some multiemployer plans utilize an actuarial assumption to exclude the benefits and liabilities for certain older terminated vested participants who have not yet applied for benefits from the measurement of plan liabilities and benefit payment projections in their actuarial valuations and certifications of plan status. For example, some plans take the position that if a terminated vested participant has not applied for benefits by the time the participant reaches age 70, the liabilities for benefits for that participant should be excluded from the measurement of plan liabilities under the assumption that the participant will never apply for benefits.

If a plan that excluded all or a portion of benefits for certain terminated vested participants in its pre-2021 certification of plan status proposes a change in assumptions that has the effect of including benefits for some or all of the previously excluded participants, PBGC will accept such a change provided that benefits for participants previously excluded who are older than age 85 on the SFA measurement date are excluded for purposes of determining the amount of SFA.

While PBGC will not question the reasonableness of this acceptable assumption change, the application should include (as part of the supporting rationale and information for the assumption change) the following information:

- A listing (including relevant data items such as current age or date of birth, gender, assumed payment age or date, benefit amount at normal retirement date, benefit amount at assumed payment age or date, lump sum retroactive benefit payment as of SFA measurement date if applicable) of the participants whose benefits were excluded from the measurement of liabilities in the most recent actuarial valuation that would be included in the determination of the amount of SFA,
- A description of the plan's policies and procedures for locating missing participants as well as the specific efforts that the plan has made to locate such participants, and
- Details of a recent death audit (performed not earlier than one year prior to the SFA measurement date) demonstrating that there is no readily available information indicating that any such participants are deceased as of the SFA measurement date. Remove any "'missing' terminated vested participants" that are known to be deceased after the census data date and before the SFA measurement date. This requirement is only for this assumption which is in contrast to Section B(9) of the *General Instructions for Multiemployer Plans Applying for Special Financial Assistance*.

Unlike the approach for other acceptable assumption changes, the instructions for filing an SFA application specifically require that the Baseline details (Template 5A) should not reflect this assumption change, and instead this assumption change should be separately identified and quantified in the Reconciliation details (Template 6A).

Also see section VI.C for additional guidance with respect to assumption changes regarding "missing" terminated vested participants.

IV. Generally acceptable assumption changes

To the extent a plan proposes to change an assumption in accordance with § 4262.5(c) of PBGC's SFA regulation, PBGC will generally accept the assumption changes described in this section IV provided the plan includes the information required by § 4262.5(c) (including information for assumption changes described in the SFA filing instructions) in the application and the plan's demonstration shows the assumption is reasonable.

While PBGC expects that an assumption following these guidelines generally will be acceptable and will require less explanation than an assumption that does not follow these guidelines, PBGC may not accept the proposed changed assumption if significant facts and circumstances exist that render the otherwise generally acceptable assumption change to be unreasonable. While the applicant would not be able to rely on these guidelines under these circumstances, the applicant may still be able to justify the change by supplying additional data or information demonstrating that the change is reasonable. Please see the *General Instructions for Multiemployer Plans Applying for Special Financial Assistance*, Section D(6)(b) for examples of supporting rationale and information for different types of assumption changes.

In accordance with the SFA instructions for filing requirements and corresponding templates, a plan is required to include any of the changed assumptions described in this section in the "Reconciliation" details. The changed assumptions described in this section should not be included in the "Baseline" details.

A. Proposed change to CBU assumption

The guidance in section IV.A. for a proposed change to the CBU assumption applies to the aggregate total CBU assumption for the plan.

1. Assumption for first 10 years of projection period

In general, PBGC will look to the geometric average rate of change in actual CBUs over the most recent 10 plan years preceding the SFA measurement date (excluding any plan year that contains any part of the "COVID period" defined in section IV.A.3 below) as the basis for its review.[1] If that average is:

- Greater than or equal to zero (i.e., on average, CBUs have been increasing or remaining level), PBGC generally will accept a plan's changed CBU assumption for the first 10 plan years (the "10-Year Projection Period") if assumed future CBUs for those 10 plan years are no less than actual CBUs for the most recent plan year ending before the SFA measurement date that does not include the COVID period.
- Less than zero (i.e., on average, CBUs have been decreasing), PBGC generally will accept a plan's changed CBU assumption for the first 10 plan years if CBUs for those 10 plan years are assumed to decline each year at that average rate, not to exceed a 3.0% per year rate of decline.

[1] In the case of applications reflecting experience during or after the COVID period, the number of plan years reflected in the development of the assumption may be non-consecutive. For example, Example #3 in this section shows how to account for 2020 and 2021 CBU data for purposes of calculating nine ratios (year-to-year changes) needed to determine the 10-year average decline.

For this purpose, the initial CBU amount used to project CBUs is the actual amount of CBUs for the most recent plan year ending before the SFA measurement date that does not include the COVID period.

10-Year Projection Period: The assumption specified above applies to plan years through the 10th year subsequent to the most recent plan year ending before the SFA measurement date that does not include the COVID period.

2. Assumption for years more than 10 years in the future

PBGC generally will accept a change to the plan's CBU assumption for the period after the 10-Year Projection Period in section IV.A.1 above, if for each such plan year, the projected CBUs increase by no more than 1.0% per year, remain constant, or decline by no more than 1.0% per year.

3. Exclusion period

For purposes of this guidance, the term "COVID period" means the period beginning on March 1, 2020 and ending on December 31, 2021.

Data from the COVID period is excluded to take into account the period during which a plan's industry may have been affected by the COVID-19 pandemic and to avoid using data that could skew the CBU assumption in either direction. The exclusion period begins March 1, 2020, the beginning of the presidentially declared national emergency[2] and ends December 31, 2021, which is a proxy for when many industries began to stabilize.

Providing a set exclusion period is intended to simplify the information needed to support the changed CBU assumption. As explained above, plans may, but are not required to, use the guidelines if they are reasonable for the plan. The COVID-19 pandemic has disparate impacts for different industries (decreasing CBUs for some and increasing CBUs for others), and some industries may not have returned to normal levels of activity by December 31, 2021.

In such cases, plans can propose to adopt an alternative CBU assumption with detailed explanations and supporting rationale and information, per § 4262.5(c) of PBGC's SFA regulation.

4. Example #1

Consider Plan X, a plan with a calendar plan year and with an SFA measurement date in 2022. For purposes of Plan X's pre-2021 (plan year 2020) certification of plan status, 2019 CBUs were 810,000 and CBUs were assumed to decrease by 1.0% per year. Plan X determines that the CBU assumption is no longer reasonable and proposes to change that assumption as follows:

- 2022 CBUs (annualized) are assumed to be 4.43%[3] (1.5% per year for three years, compounded geometrically) less than 2019 CBUs. In this example, the 810,000 CBUs for 2019 are reduced for three years (by multiplying each prior year CBU amount by 0.985) resulting in 774,094 CBUs (annualized) for 2022, a reduction of 4.43% from the 2019 CBUs).

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[2] The Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak was signed on March 13, 2020.

[3] Change in CBUs between 2019 and 2022 is -4.43%, calculated as (1-.015)^3 – 1).

- CBUs for 2023 through 2029 (the remaining 7 years in the 10-Year Projection Period from 2019) are assumed to be 1.50% less than the amount assumed for the prior year.
- CBUs for 2030 through the plan year ending in 2051 are assumed to be 1.0% less than the amount assumed for the prior year.

The CBU history for Plan X is shown in the following table. CBUs for 2020 and 2021 do not factor into the calculation because those plan years contain part of the COVID period.

(A) Plan Year	(B) Actual CBUs	(C) Ratio to prior year
2010	930,000	NA
2011	960,000	1.0323
2012	950,000	0.9896
2013	940,000	0.9895
2014	950,000	1.0106
2015	900,000	0.9474
2016	860,000	0.9556
2017	840,000	0.9767
2018	820,000	0.9762
2019	810,000	0.9878
2020	COVID Period Exclusion	
2021	COVID Period Exclusion	

The geometric average of the numbers in column (C) is 0.9848. This average is determined by taking the product of those numbers and raising it to the $^1/_9$ power. This equates to an average decrease of 1.52% per year [1.0000 - 0.9848 = .0152].

Because the proposed assumption provides for a decrease (1.50%) during the 10-Year Projection Period, a rate that is not greater than the average decrease calculated above, PBGC will generally accept the changed CBU assumption for this period (for 2020 through 2029). In addition, because the proposed CBU assumption for years after 2029 provides for a 1.0% decrease, PBGC will also generally accept the changed CBU assumption for the remainder of the SFA projection period.

Example #2. Consider Plan Y, a plan with a calendar plan year and with an SFA measurement date in 2022. For purposes of Plan Y's pre-2021 (plan year 2020) certification of plan status, 2019 CBUs were 810,000 and CBUs were assumed to increase by 2.0% per year. Plan Y determines that the CBU assumption is no longer reasonable and proposes to change that assumption as follows:

- 2022 CBUs (annualized) are assumed to be 810,000, unchanged from the 2019 CBUs.
- CBUs for 2023 through 2029 (the remaining 7 years in the 10-Year Projection Period from 2019) are assumed to be the 810,000.
- CBUs for 2030 through the plan year ending in 2051 are assumed to be 1.0% less than the amount assumed for the prior year.

CBUs for 2020 and 2021 do not factor into the calculation because those plan years contain part of the COVID period. The geometric average of the change in actual CBUs from 2010 through 2019 is an average increase of 1.00% per year.

Because the proposed assumption provides for no increase or decrease during the 10-Year Projection Period, PBGC will generally accept the changed CBU assumption for this period (for 2020 through 2029). In addition, because the proposed CBU assumption for years after 2029 provides for a 1.0% decrease, PBGC will also generally accept the changed CBU assumption for the remainder of the SFA projection period.

Example #3.

Assume the same information as shown in Example #1 for Plan X, but the plan's SFA measurement date is in 2024, and the actual CBUs for 2023 are 750,000. For purposes of Plan X's pre-2021 (plan year 2020) certification of plan status, 2019 CBUs were 810,000 and CBUs were assumed to decrease by 1.0% per year. Plan X determines that the CBU assumption used in the pre-2021 certification of plan status is no longer reasonable and proposes to change that assumption as follows:

- 2024 CBUs (annualized) are assumed to be 2.25% less than 2023 CBUs. In this example, the 750,000 CBUs for 2023 are multiplied by 0.9775 (1 - .0225) resulting in 2024 CBUs (annualized) of 733,125.
- CBUs for 2025 through 2033 (the remaining 9 years in the 10-year period from 2023) are assumed to be 2.25% less than the amount assumed for the prior year.
- CBUs for 2034 through the plan year ending in 2051 are assumed to be 1.0% less than the amount assumed for the prior year.

The CBU history for Plan X is shown in the following table. CBUs for 2020 and 2021 do not factor into the calculation because those plan years contain part of the COVID period.

(A) Plan Year	(B) Actual CBUs	(C) Ratio to prior year
2011	960,000	N/A
2012	950,000	0.9896
2013	940,000	0.9895
2014	950,000	1.0106
2015	900,000	0.9474
2016	860,000	0.9556
2017	840,000	0.9767
2018	820,000	0.9762
2019	810,000	0.9878
2020	COVID Period Exclusion	
2021	COVID Period Exclusion	
2022	780,000	N/A
2023	750,000	0.9615

The geometric average of the numbers in column (C) is 0.9770. This average is determined by taking the product of those numbers and raising it to the $^1/_9$ power. This equates to an average decrease of 2.30% per year [1.0000 - 0.9770 = .0230].

Because the proposed assumption provides for a decrease (2.25%) during the 10-Year Projection Period, a rate that is not greater than the average decrease calculated above, PBGC will generally accept the changed CBU assumption during the 10-Year Projection Period (for 2024 through 2033). In addition, because the proposed CBU assumption for years after 2033 provides for a 1.0% decrease, PBGC will also generally accept the changed CBU assumption for the remainder of the SFA projection period.

Example #4.

Assume the same information as shown in Example #3 for Plan X. In early 2024, prior to applying for SFA, a new contributing employer joins the plan and is expected to increase the plan's 2024 CBUs and 2024 contributions by 50%. Plan X proposes to use the same CBU assumptions as shown in Example #3.

PBGC preliminarily confirms that the proposed CBU assumption follows the guidelines for a generally acceptable CBU assumption change. However, the addition of the new contributing employer is reasonably expected to increase aggregate 2024 CBUs by 50% which has not been reflected in the proposed CBU assumption. Based on a reasonable consideration of this relevant fact, PBGC found the proposed assumption change to be unreasonable because it significantly understates the expected future CBUs. Note, however, that all relevant facts will be considered in the assessment of any proposed assumption change.[4] Accordingly, the proposed assumption change described above could be considered reasonable if, for example, in addition to a new employer joining the plan there were significant withdrawals that are expected to reduce 2024 CBUs.

B. Proposed change to mortality assumption

PBGC generally will accept a change to the plan's mortality assumption if the plan's proposed mortality assumption is a modified version of the Pri-2012 amount-weighted Blue Collar table (Pri-2012(BC)) reflecting the plan's fully credible or partially credible mortality experience, with a projection scale most recently published by the Retirement Plans Experience Committee of the Society of Actuaries or any projection scale published by RPEC in the calendar year of the SFA measurement date (or any subsequent calendar year) or in the two calendar years preceding the SFA measurement date. 26 CFR 1.430(h)(3)-2 for single-employer plans should be used as a framework to develop the modified plan-specific mortality table.

For this purpose, references to requesting approval from the Commissioner in 26 CFR 1.430(h)(3)-2(b) are not relevant. References to applicability to all plans in a controlled group in 26 CFR 1.430(h)(3)-2(c)(1) and newly affiliated plans in 26 CFR 1.430(h)(3)-2(f)(2) are also not relevant.

References in 26 CFR 1.430(h)(3)-2 to the prescribed mortality tables under section 430(h)(3)(C) of the Internal Revenue Code should be replaced with references to Pri-2012(BC).

References in 26 CFR 1.430(h)(3)-2 to mortality improvement rates should be replaced with references to any projection scale published by the RPEC in the calendar year of the SFA measurement date (or any subsequent calendar year) or in the two calendar years preceding the SFA measurement date.

C. Proposed change to assumptions (other than the SFA interest rate and non-SFA interest rate) to reflect significant plan experience between the participant census date and the SFA application date

PBGC generally will accept a change to a plan's assumptions (other than the interest rates) if the plan's proposed assumption is made due to a significant change in plan experience that has occurred after the participant census date and before the date the application for SFA is filed (or for a revised application, the date the revised application is filed). However, no such change may be proposed in a plan's supplemented application filed under § 4262.4(g)(6) of PBGC's SFA regulation.

Example

Plan Y's plan year is the calendar year. The plan is in critical and declining status for the 2020 plan year. The plan files its initial SFA application in March 2025. Its SFA measurement date is December 31, 2024 (the last day of the third calendar month immediately preceding the date the

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[4] PBGC may request actual CBU experience for periods prior to the application filing date (or revised application filing date). If the actual CBUs are significantly higher or lower than the projected CBU assumption used in the development of the plan's SFA amount, the plan should provide additional support for the reasonability of the CBU projection or make appropriate adjustments.

plan's initial application for special financial assistance was filed), and the plan's participant census data is as of January 1, 2024, since this is the participant census data used to prepare the plan's actuarial valuation report for the plan year (2024) that includes the plan's SFA measurement date.

In the pre-2021 certification of plan status, the level of CBUs is assumed to decrease by 1% per year, and no current contributing employers are assumed to withdraw from the plan.

On January 31, 2025, the plan's largest contributing employer, who contributed 20% of the total employer contributions in 2024, withdraws from the plan. The plan determines that its original assumptions (from its pre-2021 certification of plan status) are no longer reasonable, and makes the following changes to the assumptions used to determine the requested amount of SFA:

- Reduces the assumed CBUs for 2025 by 20% from the CBUs previously projected for 2025,
- Adjusts its average contribution rate, as needed[5],
- Reflects the expected projected withdrawal liability payments (reflecting if appropriate a reasonable allowance for amounts considered uncollectible) from the withdrawing employer in its SFA projections,
- Changes its turnover and retirement assumptions to reflect the termination or retirement of the employees of the withdrawing employer on January 31, 2025,
- Changes its turnover and retirement assumptions for continuing active participants, as needed[5],
- Changes its new entrant profile, as needed.[5]

The plan must provide supporting rationale for why the identified plan experience is significant.

The plan must also provide supporting rationale, data, and information on why using each of the original assumptions is no longer reasonable, and why the proposed assumptions are reasonable.

D. Actuarial assumptions used in approved applications under the Multiemployer Pension Reform Act of 2014 (MPRA)

PBGC will generally accept a change from the assumption used in the pre-2021 certification of plan status to an assumption used in a plan's approved MPRA application (including projected CBUs) if the plan includes the information required under § 4262.5(c) of PBGC's SFA regulation in the application and the demonstration provided by the plan shows the assumption is reasonable for the purpose of determining the amount of SFA.

[5] Changes to assumptions should be made if the plan determines that the assumption used is no longer reasonable based on an analysis that reflects the remaining contributing employers.

V. Generally not acceptable assumption changes

A. Proposed change to CBU assumption

PBGC generally will not accept a change to the plan's CBU assumption if:

- The changed assumption includes year-to-year changes that are not adequately supported by the plan's historical data, or
- The change is based on speculative changes in industry trends not supported by data.

Given the difficulty of projecting industry trends over a 30-year period for any industry, it is important that the CBU assumption be supported by historical data and informed by recent trends.

Speculative industry transformations unsupported by data are not appropriate. For this purpose, PBGC considers "speculative industry transformations" to mean transformations where little to no transformation has yet occurred, transformations that are in their infancy, or transformations that anticipate future adoption of new technologies. For example, PBGC generally will not accept a CBU assumption that anticipates extreme automation of an industry (e.g., self-driving trucks replacing all human truck drivers).

A speculative industry transformation does not include a projected transformation that is a reasonable extension of current technology and trends. For example, a gradual transformation that replaces grocery store cashiers with self-checkouts.

The CBU guidelines in this document in sections III.A.1, IV.A and V.A will help to streamline the application review process and serve to ensure plans are treated consistently within a given industry or union.

B. Proposed change to investment expense assumption

PBGC generally will not accept a change to the plan's investment expense assumption that is based on a methodology for identifying which classes of expenses are included in the projected administrative expenses in the deterministic projection used to determine the requested SFA that is different from the methodology used in the projections used in the pre-2021 certification of plan status.

For example, PBGC generally will not accept a change from an implicit investment expense assumption (where expenses are net of the assumed interest rate) to an explicit amount of investment expenses. Similarly, PBGC generally will not accept a change from an assumption of no investment expenses paid directly from plan assets to an explicit amount of assumed investment expenses.

C. Proposed change to assumptions (other than the interest rates) based on short-term plan experience between the participant census date and the SFA application date

PBGC generally will not accept a change to a plan's assumption if the plan's proposed assumption is made to reflect short-term plan experience (other than significant plan experience as described in section IV.C) that has occurred between the participant census date and the date the application for SFA is filed (or for a revised application, the date the revised application is filed). In addition, no changes to assumptions or methods are allowed which reflect plan investment experience after the SFA measurement date.

For example, PBGC generally will not accept a change to the plan's mortality assumption to reflect the actual mortality experience that occurred after the plan's participant census date.

VI. Additional information

A. Actuarial assumptions for certain plans

The description of the actuarial assumptions to be used in the determination of the amount of SFA under section 4262(e)(2) of ERISA refer to the assumptions used in the plan's most recently completed certification of plan status before January 1, 2021. PBGC is aware of certifications of plan status for some plans in which not all of the actuarial assumptions needed to complete an application for SFA are specifically documented.

For assumptions not identified or referenced in the pre-2021 certification of plan status, PBGC will accept the actuarial assumptions actually used to determine the plan's status to the extent such actuarial assumptions were communicated in writing by the plan's actuary to the plan sponsor, trustee, plan fiduciary other than the trustee, plan's counsel, plan's independent qualified public accountant, or to their representative no later than 90 days after the due date of the pre-2021 certification of plan status. To use such actuarial assumptions, the applicant should provide a copy of the communication containing the actuarial assumptions and a statement signed under penalty of perjury by the recipient of the communication authenticating the communication and the date of receipt.

For assumptions not identified or referenced in the pre-2021 certification of plan status or evidenced by a contemporaneous written communication as described above, PBGC will consider the actuarial assumptions documented in the Form 5500 Schedule MB filed for the plan year ending immediately before the pre-2021 certification of plan status was certified to be the same as those used for the pre-2021 certification of plan status.

For example, the pre-2021 certification of plan status for a plan using a calendar plan year was issued on March 29, 2020. The pre-2021 certification of plan status did not document any actuarial assumptions used in the certification and there was no contemporaneous written communication of those actuarial assumptions by the plan's actuary. In these circumstances, an application for SFA should be based on the actuarial assumptions documented in the plan's 2019 Form 5500 Schedule MB.

If the Form 5500 Schedule MB to Form 5500 does not include all of the assumptions that are needed to determine the amount of SFA (such as a projection of contribution base units, contribution rates, withdrawal liability payments, new entrant profile and/or administrative expenses), then the plan actuary should select assumptions that represent their best estimate of future experience as of the valuation date on the Schedule MB and should include detailed explanations and supporting rationale and information as to why these assumptions are reasonable. These assumptions will be treated as changed assumptions for all purposes of PBGC's review, except that these changed assumptions are included in the "Baseline" details.

Plans may propose to change the assumptions determined in any of the above ways for purposes of the determination of SFA amount only if the plan includes the information required by § 4262.5(c) in the application and the plan's demonstration shows the assumption is reasonable.

B. Actuarial assumptions for withdrawal liability payments

When projecting future receipt of employer withdrawal liability payments for purposes of determining the amount of SFA, the plan's actuary should consider reflecting a reasonable allowance for amounts considered uncollectible.

C. Assumption changes regarding “missing” terminated vested participants

Section III.F. provides background and identifies a change in assumptions with respect to “missing” terminated vested participants that PBGC will accept as reasonable.

If a plan proposes a change in such assumptions other than the acceptable assumption change described in section III.F, PBGC will assess the reasonableness of the proposed change regarding the inclusion of certain previously excluded terminated vested participants by assessing the information and supporting rationale and analysis provided by the plan. The plan should provide experience data that supports that it is reasonable to assume that the participants now included for determining the amount of SFA will eventually apply for benefits.

In addition to experience data and rationale described above, the SFA application should include the following information:

- A listing (including relevant data items such as current age or date of birth, gender, assumed payment age or date, benefit amount at normal retirement date, benefit amount at assumed payment age or date, lump sum retroactive benefit payment as of SFA measurement date if applicable) of the participants whose benefits were excluded from the measurement of liabilities in the most recent actuarial valuation that would be included in the determination of the amount of SFA,
- A description of the plan’s policies and procedures for locating missing participants as well as the specific efforts that the plan has made to locate such participants, and
- Details of a recent death audit (performed not earlier than one year prior to the SFA measurement date) demonstrating that there is no readily available information indicating that any such participants are deceased as of the SFA measurement date. Remove any "'missing' terminated vested participants" that are known to be deceased after the census data date and before the SFA measurement date. This requirement is only for this assumption which is in contrast to Section B(9) of the General Instructions for Multiemployer Plans Applying for Special Financial Assistance.

D. Hard-to-Value assets for SFA applications

Hard-to-value assets, such as private equity, hedge funds, or real estate are required to be measured on the SFA measurement date. Whenever possible, applicants on behalf of plans applying for SFA should request values of hard-to-value assets from the plan’s fund managers. The use of good-faith estimates provided by fund managers as of the SFA measurement date will be treated as “acceptable” assumptions, as that term is used in PBGC’s published SFA Assumptions Guidance on www.pbgc.gov. Documentation of the estimated values provided by fund managers may be requested by PBGC during the review of the SFA application.

If an applicant has made a good faith effort to obtain estimated values as of the SFA measurement date from the fund managers, but the fund manager cannot or will not provide such an estimate, then applicants should make reasonable estimates of the value of these assets as of the SFA measurement date. Possible approaches for an applicant to use in making estimates include:

1. Adjusting the last value reported by the fund manager for the period between the reporting date and the SFA measurement date based on the change in investment indices that reflect the same investment characteristics as the relevant plan holding. For example, hard-to-value assets that resemble equities could be adjusted with the change in an appropriate total return public market equity index.
2. For hard-to-value assets for which method #1 above is not appropriate, any reasonable method accompanied by a clear description and supportive rationale could be used.

3. For hard-to-value assets for which no reasonable method of adjustment can be determined, an annualized rate of return equal to the non-SFA interest rate limit used in the application may be used. This type of adjustment should be accompanied by an explanation of why the previous adjustment methods are not appropriate.

In general, valuing the investment at the last value either reported by the fund manager or used in a plan audit will not be considered reasonable if that value was determined more than one month prior to the SFA measurement date.

E. Nonbinding guidance

This guidance represents PBGC's current thinking on this topic. It does not create or confer any rights for or on any person or operate to bind the public. A plan can use an alternative approach if the approach satisfies the requirements of the applicable statutes and regulations.

F. Department of Labor advisory

With respect to assumption changes regarding "missing" terminated vested participants (see sections III.F and VI.C), the Department of Labor advises that PBGC's acceptance of such an assumption change to determine the amount of Special Financial Assistance has no effect on the obligations of plan fiduciaries to maintain complete and accurate records (to include updated addresses), conduct a prudent search for missing participants, communicate with participants and beneficiaries nearing or past retirement age, or to pay benefits when due under title I of ERISA. See *Missing Participants – Best Practices* at https://www.dol.gov/agencies/ebsa/employers-and-advisers/plan-administration-and-compliance/retirement/missing-participants-guidance/best-practices-for-pension-plans.

G. Contact information

For questions about this guidance, please email the general Multiemployer Program Division mailbox at multiemployerprogram@pbgc.gov, and include as the subject "Special Financial Assistance Question from (Plan Name)."

For comments on this guidance, please submit your comments, including your contact information, to the General Counsel at GuidanceComments@pbgc.gov, and include as the subject "Special Financial Assistance Comment from (Plan Name)."

A plan sponsor may request an informal pre-application consultation to discuss a plan's potential application for SFA. At a pre-application consultation, PBGC staff members cannot offer binding decisions on such topics as a plan's eligibility for SFA or the amount of SFA to which it might be entitled. However, staff members can provide overviews of the SFA program and the application process and offer helpful tips. To request a pre-application consultation, send an email to the general Multiemployer Program Division mailbox at multiemployerprogram@pbgc.gov, with the subject "Special Financial Assistance Consultation Request from (Plan Name)." You may send other questions about the SFA program to this email address as well, with the subject "Special Financial Assistance Question from (Plan Name)."