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November 20, 2017

Regulatory Affairs Group
Office of the General Counsel
Pension Benefit Guaranty Corporation
1200 K Street NW
Washington, DC 20005-4026

[Submitted via www.regulations.gov]

RE: Comments on Proposed Modification to 2017 Form 5500 Schedule MB

To Whom It May Concern:

The Multiemployer Plans Committee of the American Academy of Actuaries¹ respectfully submits the following comments in response to the two modifications proposed by the Pension Benefit Guaranty Corporation (PBGC) to the instructions for the 2017 Schedule MB (Multiemployer Defined Benefit Plan Actuarial Information) of the Form 5500.

The committee expects the PBGC's proposed modifications will provide PBGC and other readers of the Schedule MB with additional information that is practical and useful. We also believe that the modifications will not result in an unreasonable increase in the amount of time required to complete the Schedule MB. We do, however, suggest some refinements or clarifications that PBGC may wish to consider in its modifications to the 2017 Schedule MB instructions.

Line 3 (Contributions Made to Plan)

PBGC proposes that the instructions to the 2017 Schedule MB require plan administrators to report the amount of withdrawal liability payments included in each contribution reported on Line 3. The additional detail would be provided in an attachment to Line 3. PBGC indicates that separating withdrawal liability payments from contributions from regular, ongoing employers will enhance its ability to perform projections for multiemployer pension plans.

¹ The American Academy of Actuaries is a 19,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

We agree with PBGC that the additional information proposed for the attachment to Line 3 is relevant and important. We also believe that, in most cases, preparing the additional information will not result in a significant burden on the plan administrator or plan actuary.

As a further enhancement to the instructions for Line 3, PBGC may want to consider encouraging the plan actuary to distinguish between withdrawal liability payments that are lump sum settlements versus those that are ongoing periodic payments, to the extent the data is readily available. Withdrawal liability payments in a given plan year often include lump sum settlements, which may change considerably from year to year, in contrast with periodic payments that are typically more consistent from year to year. It is often helpful to separately consider these payment types when projecting future withdrawal liability payments. We suggest, however, that this additional information be optional rather than mandatory. In some cases, that level of detail regarding withdrawal liability payments may not be readily available to the plan actuary completing the Schedule MB.

Line 4f (Year of Projected Emergence or Insolvency)

If a plan is reported to be in critical (code C) or critical and declining status (code D) on Line 4b of the Schedule MB, the plan actuary must also complete Line 4f. If the rehabilitation plan projects emergence from critical status, the current instructions call for the plan actuary to enter the year of projected emergence on Line 4f. If the rehabilitation plan is designed instead to forestall possible insolvency, the plan actuary must check the box provided and enter the plan year in which insolvency is expected.

PBGC is proposing that basic supporting documentation—specifically, year-by-year cash flow projections and a summary of the underlying assumptions—be included as an attachment to Line 4f. In general, we believe the additional information would enhance the ability of PBGC to perform projections for plans in critical and declining status or which are otherwise approaching insolvency. Furthermore—and with the one exception noted in the first point below—we believe that the additional information will not result in a significant burden for most plan actuaries, as they will have already performed the calculations requested in the supporting documentation.

With that said, we offer a few points to consider regarding Lines 4b and 4f of the Schedule MB:

- *Additional documentation only for plans forestalling insolvency.* If a plan is projected to emerge from critical status, its actuary may not perform the same detailed, extended cash flow projections that would be routine for a plan with a rehabilitation plan that is based on forestalling possible insolvency. We therefore suggest that the additional documentation apply only to plans that have checked the box in Line 4f indicating that the rehabilitation plan is based on forestalling possible insolvency, and not to plans projected to emerge from critical status.
- *Year of projected emergence as targeted in adopted rehabilitation plan.* If a plan's rehabilitation plan projects emergence from critical status, the plan actuary must indicate the year of projected emergence on Line 4f. We suggest the instructions for Line 4f clarify that the year of projected emergence should be that which is targeted in the adopted rehabilitation plan. When assisting the plan sponsor in reviewing and updating the rehabilitation plan each year, plan actuaries may project emergence from critical status under many different scenarios. Therefore, clarifying that Line 4f should include year of emergence targeted in the adopted rehabilitation will lessen ambiguity regarding the underlying actuarial basis used in the projection.
- *Consider plans with no projected emergence or projected insolvency.* Some multiemployer pension plans in critical status are not projected to emerge from critical status at any point over the next 30

years or more, and are also not projected to become insolvent at any point in the future. In these cases, the rehabilitation plan will likely be based on forestalling possible insolvency, but the plan will not have a projected date of insolvency. PBGC may wish to consider plans in this situation when modifying the instructions for Line 4f. For example, in such a situation, the instructions could instruct the plan actuary to check the box in Line 4f and indicate “N/A” in place of the year of projected insolvency, and perhaps include an explanation on the attachment to Line 4f.

- *Consider using most recent status certification.* On Line 4b, the plan actuary indicates the plan’s certified status or the status elected by the plan sponsor under section 305(b)(4)(A) of ERISA. The certified status for the plan year for which the Schedule MB applies is already out of date at the time the Form 5500 is filed, having been determined more than a year before the filing is submitted. To gather the most current information, PBGC may wish to consider modifying the instructions for Lines 4b and 4f to request the certification status for the subsequent plan year (e.g., the 2018 plan year for a 2017 Form 5500 filing). If such a change extends beyond the scope of these modifications, PBGC may wish instead to request supporting information for the solvency projection used in the most recent status certification rather than the one from the plan year for which the Schedule MB applies. This information could be supplied in the attachment to Line 4f.

The Multiemployer Plans Committee appreciates the opportunity to provide input to the PBGC on this important topic. We would be happy to discuss any of the issues raised in this letter at your convenience. Please contact Monica Konaté, the Academy’s pension policy analyst (202-785-7868; konate@actuary.org) if you have any questions or would like to discuss these issues further.

Sincerely,

Jason Russell, MAAA, FSA, EA
Chairperson, Multiemployer Plans Committee
American Academy of Actuaries