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Sent by Email to reg.comments@pbgc.gov

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

Re: Partitions of Eligible Multiemployer Plans
Multiemployer Pension Reform Act of 2014 (MPRA)

Ladies and Gentlemen:

The PBGC has requested comments from all interested stakeholders in the pension community to inform future PBGC guidance under sections 4231 and 4233 of ERISA, as amended by sections 121 and 122 of MPRA, regarding multiemployer plan partitions and mergers. We understand that the PBGC is accepting comments beyond the original April 6, 2015 response date. Provided below are comments and recommendations for your consideration in implementing MPRA section 122 regarding partitions.

- We recommend that the PBGC allow the partitioned plan and the successor plan to remain as two separate plans within the same ERISA trust. This would save both plans (and the PBGC) on administrative expenses. Otherwise, the professional fees would increase.

- For ten years after partition, withdrawal liability of the successor plan is added to that of the partitioned plan. The successor plan is deemed to be a terminated plan, which under PBGC regulations is valued on the more conservative PBGC assumptions. The PBGC should allow the unfunded vested benefits of the successor plan to be valued for withdrawal liability purposes using the same actuarial assumptions as used for the partitioned plan. Otherwise, a significant increase in withdrawal liability would occur at partition and the contributing employers would be adversely affected for trying to save the plan from insolvency. They may even reject partition in such a case.

- The successor plan is treated as a terminated plan. When a successor plan receives PBGC assistance, the assistance covers not only the benefits but also the reasonable and necessary expenses of the successor plan. Terminated plans under $25 million in liabilities need to be valued only every 3 years. Valuations would still be needed annually to determine

withdrawal liabilities of partitioned plans on a consolidated basis for 10 years after partition. Therefore, the PBGC may want to require annual valuations of terminated successor plans even if the liabilities are less than $25 million. Otherwise, a method to determine withdrawal liability of the successor plan in non-valuation years should be developed.

- Section 122 of MPRA requires that just enough participants and liability be transferred to the successor plan from the partitioned plan to avoid insolvency if the PBGC pays the guaranteed benefits of the participants in the successor plan. If guidance will be included in MPRA section 122 as to the priority of the transferred participants, we recommend the following priority of transfer:

  - Orphaned participants (per other sections of MPRA, they are first in line for benefit suspensions).

  - If partition of orphaned participants is insufficient to prevent insolvency, then non-orphaned inactive participants, beginning with the oldest retirees.

- In the event of actuarial losses in years after partition, the PBGC should permit more participants to be transferred to the successor plan if it is necessary to prevent insolvency of the partitioned plan.

We hope our comments are helpful to the PBGC. Should there be any questions about them or if any additional information would be helpful, please contact me at (215) 773-0900 or rstokes@rgabriel.com.

Sincerely,

Ronald C. Stokes, FSA, MAAA
Enrolled Actuary 14-05287

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