



November 1, 2023

## MEMORANDUM REPORT

**TO:** Gordon Hartogensis  
Director

**FROM:** Nicholas J. Novak  
Inspector General *Nicholas J. Novak*

**SUBJECT:** Management Alert: Deceased Participants in the Central States' Special Financial Assistance Calculation (Report No. EVAL-2024-01)

This management alert presents an issue identified during our ongoing *Limited Scope Evaluation of Projected Benefit Payments in Selected Special Financial Assistance (SFA) Applications (Project Number EV-23-172)*. The objective of this management alert is to notify Pension Benefit Guaranty Corporation (PBGC or Corporation) officials about an issue we identified during our evaluation. The issue requires immediate attention and remediation. Specifically, we identified a weakness in PBGC's SFA review procedures related to deceased participants.

We conducted our work in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation (Appendix I). We provided a draft copy of this memorandum report to management and their comments have been incorporated in this final report. Management also provided informal general feedback and, where appropriate, we incorporated management's comments. We appreciate the cooperation you and your staff extended to the OIG during this project. The report contains public information and will be posted in its entirety on our website and provided to the Board and Congress in accordance with the Inspector General Act.

### Summary

We found 3,479 deceased participants in Central States' (Plan) SFA application because the Corporation did not ensure deceased participants were removed from the

Plan's application.<sup>1</sup> While the Corporation's review process required Central States to provide a list of all Plan participants and proof of a search for deceased participants (death audit), the Corporation did not cross-check the information against the Social Security Administration's (SSA) Full Death Master File (DMF) — the source recommended by the U.S. Government Accountability Office for reducing improper payments to deceased people. (The Full DMF is more accurate than any database private pension plans have access to and is used by the Corporation in its other insurance programs to ensure proper payments of pension benefits to plan participants). On December 5, 2022, PBGC approved the application and authorized payment of \$35.8 billion to Central States. Based on our identification of deceased participants, Central States calculated the value attributed to deceased participants in the SFA application at approximately \$127 million.

Since the issuance of the Final Rule and in response to other OIG findings, the Corporation has taken steps to reduce risk: it updated application instructions to include detailed guidance on how deceased participants should be handled by plans. Applicants must certify that the results of death audits are reflected in SFA calculations, and plans must submit census data for terminated vested participants so their status can be checked against the full DMF. Under the current procedures, the Corporation only conducts a death audit for terminated vested participants, not other categories of participants.

While we identified the deceased participants as part of an evaluation of benefit payment projections in a sample of SFA applications, due to the weakness identified in the Corporation's SFA application review procedures, we are reporting the finding in a management alert since it impacts the continued approval of SFA applications.

## **Background**

Established by the Employee Retirement Income Security Act of 1974 (ERISA), the Pension Benefit Guaranty Corporation (PBGC or Corporation) insures the pension benefits of workers and retirees in private sector defined benefit pension plans. PBGC's mission is to enhance retirement security by preserving plans and protecting pensioners' benefits. The Corporation guarantees payment, up to the legal limits, of the pension benefits earned by over 33 million American workers, retirees, and beneficiaries in single-employer and multiemployer plans. PBGC pays guaranteed

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<sup>1</sup> The full name of the plan is Central States, Southeast & Southwest Areas Pension Plan.

benefits directly to retirees and beneficiaries in failed single-employer plans and provides financial assistance to insolvent multiemployer plans to allow them to pay guaranteed benefits to retirees and beneficiaries.

### *Special Financial Assistance Program*

The American Rescue Plan Act of 2021 (ARP) authorized PBGC to provide SFA to eligible multiemployer plans in financial distress. The SFA program, which addressed a long-standing funding shortfall, was designed to ensure eligible multiemployer plans could pay full benefits to all plan participants for 30 years — until 2051. Under the program, PBGC expects to provide about \$80 billion in one-time payments to 211 plans. As of September 30, 2023, it had approved about \$54 billion in SFA to multiemployer plans. Although PBGC funds its multiemployer and single-employer insurance programs with premiums paid by covered plans, the SFA program is funded by taxpayer dollars.

### *The Importance of Census Data, Death Audits, and Plan Participants*

A defined benefit plan determines its current and future funding needs using a complex mixture of information. Among other things, this information includes financial statements of assets, actuarial assumptions, and census data (which includes information about the plan participants). Reliable census data is key to a plan's ability to forecast its future benefit payouts. According to a 2021 memo from the Department of Labor, regularly auditing census information and correcting data errors is an important part of maintaining accurate census information for the plan's participant population.

A "death audit" is a tool pension plans use to verify that participants are alive, or to find a beneficiary. The SFA application process has evolved and for applications under the Final Regulation (promulgated a year after the Interim Regulation), PBGC now requires that an SFA applicant submit proof of a death audit and assert that participants deceased prior to the census data date are reflected in the SFA application.

Within the census data are multiple types of pension plan participants (Figure 1). In general, a pension plan categorizes them as "active" (still working) "terminated vested" (former employees due benefits at retirement), "retired" (currently receiving benefits), and "beneficiaries" (a person designated by a pension plan participant).

### Figure 1. Multiemployer Plan Participant Types



**Active Participants.** In a defined benefit plan, an individual is an active participant if an employer is contributing or is required to contribute to the plan an amount based on that individual's service.



**Retirees and Beneficiaries.** Pension plan participants who have begun collecting benefits or persons designated by pension plan participants to receive some or all of the participant's pension benefits upon the participant's death.



**Terminated Vested Participants.** Generally, a former employee who worked long enough to earn vested benefits in a pension plan, but who left the company participating in the plan and is not yet receiving a retirement benefit.

Source: [Glossary | Pension Benefit Guaranty Corporation \(pbgc.gov\)](https://www.pbgc.gov/glossary)

#### *Significant Dates for the Central States SFA Application*

Central States submitted its application for SFA to PBGC on August 12, 2022, under PBGC's SFA Final Rule. That rule required Central States to submit the participant census data utilized by the Plan actuary in developing the cashflow projections for its SFA application, as well as documentation of a death audit. On December 5, 2022, the Corporation approved the application for \$35.8 billion — the largest payment of SFA funds to date and over 40% of the program's estimated \$80 billion total cost.

On February 8, 2023, we initiated an evaluation of the SFA program's projected benefit payments. Our objective was to determine whether the Corporation's SFA procedures were sufficient to ensure that it consistently identified increases in projected benefit payments, evaluated those increases against appropriate criteria, and documented the Corporation's conclusions. As part of this work, we examined the census data of selected plans to determine whether they included deceased participants.

## **Finding 1: Central States' Approved SFA Application Included 3,479 Deceased Participants**

*Standards for Internal Control in the Federal Government* require agencies to design control activities to achieve objectives and respond to risks. One of the objectives the Corporation identified when designing key controls for the SFA program was to ensure eligible plans receive the correct amount of SFA.<sup>2</sup> ARP states that the correct amount of SFA provided "shall be such amount required for the plan to pay all benefits due" through the plan year ending in 2051.

To identify deceased participants, we compared each participant's social security number (SSN), last name, and date of birth (DOB) to the SSNs, last names and DOBs in the Full DMF.<sup>3</sup> Using this three-factor matching process, we identified 3,479 deceased participants, valued at approximately \$127 million,<sup>4</sup> of which 2,644 were terminated vested, 597 were retirees, 202 were beneficiaries, and the remaining 36 were disabled and active participants. Central States is the largest multiemployer plan expected to receive SFA; 3,479 deceased participants is a small percentage of its total participant population. However, the \$127 million included in the SFA payment to Central States represents a significant outlay of taxpayer's funds. By comparison, in Fiscal Year 2022, the Corporation paid \$226 million in guaranteed benefits to 115 insolvent plans in its traditional multiemployer program.

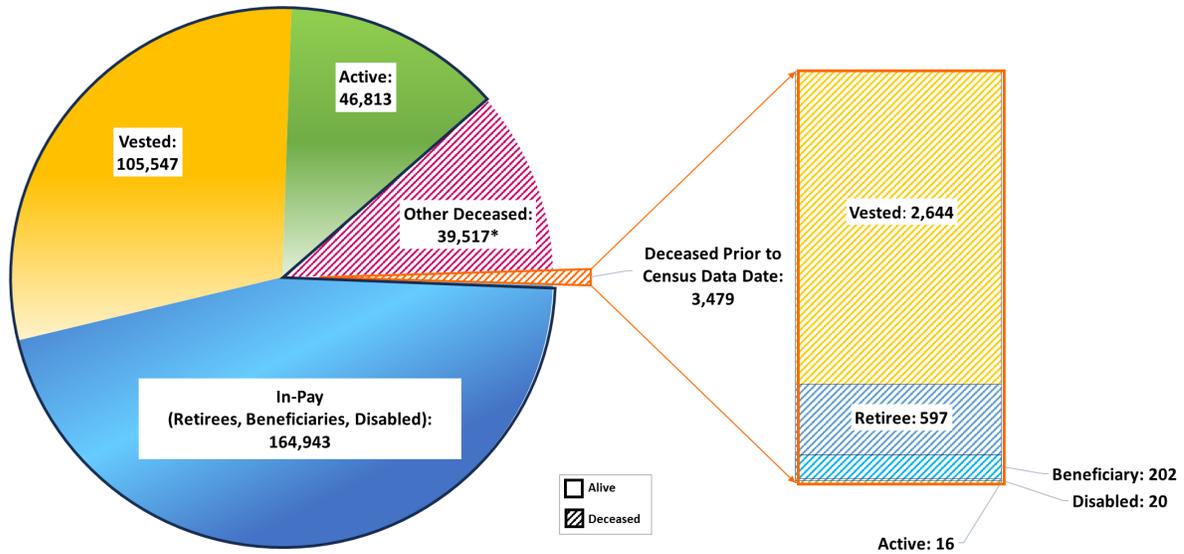
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<sup>2</sup> PBGC Key Control G19.

<sup>3</sup> SSA's Death Master File consists of files of death information SSA compiles from its Master Files of Social Security Number Holders and SSN Applications (Enumeration System) system of records, which contains its records of SSNs assigned to individuals since 1936. These files of death information include, if available, the deceased individual's SSN, first name, middle name, surname, date of birth, and date of death.

<sup>4</sup> Central States valued the deceased participants associated with its SFA application at \$126,555,536.

**Figure 2: Central States' Total Participants and Deceased Participants**



Source: Central States' Census Data and OIG Analysis.

\* 'Other Deceased' participants were a mix of participants not included in the 3,479 count, including deceased participants already identified by Central States, those without a 'Date of Death' in the SSA DMF, and those deceased prior to the census data date who did not meet the three-factor match criteria.

**PBGC Did Not Perform a Match between the Full DMF and the Plan's Census Data**

The Corporation, through an agreement with SSA, has access to the Full DMF. The Full DMF is the source recommended by the U.S. Government Accountability Office for reducing improper payments to deceased people. SSA shares the Full DMF with agencies that provide federally funded benefits; this reduces the risk of providing federal benefits to a deceased individual's account or to fraudsters using a deceased individual's identity. The Corporation routinely makes use of the Full DMF in its single-employer and multiemployer insurance programs. In June 2023, we published a White Paper that provided details on the Full DMF, the Corporation's use of it, and industry practices related to death audits.<sup>5</sup>

However, the Corporation did not integrate use of the Full DMF into internal controls for the SFA program, leaving the program vulnerable to overpayments. When asked why

<sup>5</sup> SR-2023-10. White Paper: Searching Plan Records for Deceased Participants.

the Corporation did not check the plan's census data against the Full DMF, PBGC officials said the Final Rule and NRAD procedures did not require it. This was true, but the Corporation wrote the Final Rule, designed its SFA procedures, and knew it had access to better data on deceased participants than plans did. It could have integrated use of the Full DMF into its procedures.

As a result of a prior OIG evaluation on another sample of SFA plans, we recommended PBGC request and review census data for deceased participants from those plans still to apply for SFA.<sup>6</sup> PBGC agreed with the recommendation. Since the issuance of the Final Rule and in response to other OIG findings, the Corporation has taken other steps to reduce risk: it updated application instructions to include detailed guidance on how deceased participants should be handled by plans. Applicants must certify that the results of death audits are reflected in SFA calculations, and plans must submit census data for terminated vested participants so their status can be checked against the full DMF.

However, the current procedures only require a death match of terminated vested participants against the full DMF, not retirees and active participants, to identify deceased participants.<sup>7</sup> Our review of the Central States data identified that deceased participants can appear not only among terminated vested participants, but also among the active and retired participants. Therefore, a search for deceased participants among all participant types is needed.

### *Conclusion*

Because the Corporation's review process did not include a full death audit of the census data, the Central States' approved application included 3,479 deceased participants. On December 5, 2022, PBGC approved the application for payment of \$35.8 billion to Central States, which included \$127 million associated with deceased participants in the census data. Without updated procedures the agency will likely continue to approve applications which include deceased participants that could be identified with available information.

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<sup>6</sup> EVAL-2023-05.

<sup>7</sup> This recommendation did not apply to Central States due to the timing of the application.

## Recommendation

We recommend the Office of Negotiations and Restructuring (ONR):

1. Update Multiemployer Special Financial Assistance Division's and Negotiations and Restructuring Actuarial Department's procedures to include steps to ensure deceased participants, from all participant categories, be excluded from SFA calculations.

### *PBGC Comments and OIG Response*

**Resolved.** PBGC concurred with the recommendation. ONR plans to further expand the independent death audit to all participant categories for SFA applications filed on and after November 1, 2023, by working with the appropriate agencies, including the Office of Management and Budget (OMB) and the SSA, to update the SFA application filing instructions to require this detailed census data. The SFA application filing instructions are approved as part of an SFA information collection request (ICR) which expires on July 31, 2026. Under the Paperwork Reduction Act PBGC will request emergency processing to amend the application instructions contained in this Information Collection Request to require applicants to provide census data of all participant categories. PBGC will use this data to conduct an independent death search using the SSA DMF. PBGC's goal is to complete the planned action by March 31, 2024.

Closure of this recommendation will occur when the agency provides evidence it has updated SFA application instructions and SFA procedures to include an independent death audit for all participant categories in SFA applications.

cc: John Hanley, Chief of Negotiations and Restructuring  
Lisa Carter, Director of CCRD  
Karen Morris, General Counsel  
Latrece Wade, Risk Management Officer  
Kristin Chapman, Chief of Staff  
Department of Labor Board staff  
Department of Treasury Board staff  
Department of Commerce Board staff  
House committee staff (Education and Workforce, Ways and Means, HOCR)  
Senate committee staff (HELP, Finance, HSGAC)

## **Appendix I: Objective, Scope, Methodology, and Standards**

### **Objective**

This management alert presents an issue identified during our ongoing *Limited Scope Evaluation of Projected Benefit Payments in Selected SFA Applications (Project Number EV-23-172)*. The objective of that project is to determine whether SFA procedures are sufficient to ensure increases in projected benefit payments are consistently identified, evaluated against appropriate criteria, and documented. The objective of this management alert is to provide PBGC officials notification of an issue identified during our ongoing evaluation that requires immediate attention and remediation.

### **Scope**

Our ongoing project was a limited scope review of a narrow aspect of the SFA program – the reasons for increases in projected benefit payments potentially not explained by plan application data. We examined a targeted sample of four applications that did not make changes to the exclusion assumption,<sup>8</sup> all of which were approved in Calendar Year 2022. Because we identified 3,479 deceased participants in Central States' application, we wanted to issue a separate report on the finding. We plan to issue a full report based on our review of the four plans in our sample in the coming months. We performed fieldwork with respect to Central States largely via remote access to our facilities at PBGC headquarters in Washington, DC from February 2023 through July 2023.

### **Methodology**

We reviewed federal laws and regulations related to multiemployer pension plans, as well as PBGC policies and procedures for the Special Financial Assistance program.

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<sup>8</sup> Exclusion Assumption - 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. 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 eligibility for SFA (where applicable) and the amount of SFA. Source: PBGC SFA Assumptions Guidance.

We met with PBGC officials to discuss their procedures for handling increases in projected benefit payments, and for issues related to deceased participants identified in Central States' census data. We requested documents including policies, procedures, and SFA application information for the plans in our sample. In addition, we communicated with plan administrators and actuaries via email to obtain census data and other information related to projected benefits and the SFA application.

The inspection included tests of controls and compliance with laws and regulations to the extent necessary to satisfy the inspection objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our evaluation.

We identified deceased participants in the plan's census data by comparing the census data to computer-processed data in the SSA's Full Death Master File (DMF). The Full DMF is maintained by SSA to fulfill its mission of providing social security benefits to living beneficiaries. The Full DMF is required by law to be shared with other federal benefit agencies, including PBGC. We assessed the reliability of the Full DMF for our audit purposes by (1) reviewing federal reports on the completeness and accuracy of the data, (2) considering how other federal agencies used the Full DMF to reduce improper payments, and (3) performing basic analyses to determine the reliability of the data file we used for our work. We note that SSA states the Full DMF is not a comprehensive record of all deaths. Additionally, on rare occasions, living individuals have been incorrectly recorded as deceased. While the risks of errors are present in the Full DMF, the accessibility of the data to PBGC and its record of success in reducing improper payments supports its use as a method to identify and reduce improper payments. Therefore, we found the Full DMF to be sufficiently reliable for the purposes of this engagement.

### ***Identifying deceased participants by matching with the Full DMF***

For this report, we assessed the reliability of Central States' census data by comparing the total number of participants in the census file with the number of participants in the plan's Form 5500 filing, and making sure the datasets included the participants' SSNs, last names, and DOBs – the three factors that constituted a match when we conducted a death search. We also reviewed and accounted for duplicate SSNs, unassigned SSNs and out-of-range ages and determined these items did not have a material impact on our estimate.

To achieve our objective, we compared the SSN, last name, and DOB of each participant in Central States' data to the SSNs, last names and DOBs in the Full DMF.

This information was used to identify deceased participants, and as a basis for Central States' estimate of its overpayment.

## **Standards**

We conducted the review under the authority of the Inspector General Act of 1978, as amended, and in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. Those standards require that we plan and perform the engagement to obtain sufficient and appropriate evidence to provide a reasonable basis for our conclusions and observations based on our objective. We believe that the evidence obtained here provided a reasonable basis for our conclusions and observations based on our evaluation objective.

## Appendix II: Management Response



445 12th Street SW  
Washington, DC 20024-2101  
202-229-4000  
PBGC.gov

October 17, 2023

**To:** Nick Novak  
Inspector General

**From:** John Hanley JOHN HANLEY Digitally signed by JOHN HANLEY  
Date: 2023.10.17 19:13:51 -0400  
Chief of Negotiations and Restructuring

Karen L. Morris  
General Counsel KAREN MORRIS Digitally signed by KAREN  
MORRIS  
Date: 2023.10.17 19:01:11 -0400

**Subject:** Response to OIG's Draft Management Alert Re: Central States

Thank you for the opportunity to comment on the Office of Inspector General's (OIG) draft management alert. PBGC appreciates the OIG's ongoing collaboration on this matter, including the OIG's concurrence with PBGC's legal analysis, via OIG's September 27, 2023 Closure Memo, that the funds described in this report were not improperly paid, were not paid to deceased individuals or beneficiaries, and should not be subject to recovery actions.<sup>1</sup>

Further, PBGC agrees with OIG's new recommendation in this report and the agency will implement this change. (*see further below*)

The Special Financial Assistance (SFA) program was created by Congress as part of the American Rescue Plan (ARP) Act of 2021. This critical program has since provided \$53.5 billion in SFA funding to 65 severely underfunded multiemployer pension plans to date, and will ensure that millions of American workers, retirees, and their families receive the pension benefits they earned through many years of hard work. The SFA program is intended to provide a certain amount of money to the plan - not to individual participants - that is projected to be sufficient to pay all benefits due for the next 30 years based on a range of assumptions about the demographics of plan participants and potential investment returns. Because they are, by necessity, based on assumptions about a 30-year time period, these projections are inherently uncertain. To the extent that deceased individuals may have been included in census data used for purposes of making SFA projections, that is just one of the multiple factors that contributed to the inherent imprecision of assumptions. It does not, however, suggest that plans will use their SFA to pay deceased individuals.

PBGC distributions of SFA are received by eligible plans and are not paid to deceased individuals or beneficiaries. However, PBGC agrees with the OIG on the importance of ensuring distributions to plans are made accurately and has worked closely with the OIG since enactment of ARP to develop and more recently to improve data collection and accuracy, ensure sound SFA program management, and swiftly implement the OIG's recommendations. Section 4262.4(d) of the SFA regulation requires a plan applying for SFA to certify the census data used for

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<sup>1</sup> See [OIG Closure Memo dated September 27, 2023](#), and PBGC Legal Analysis dated June 30, 2023.

calculating the amount of the plan's requested SFA. In collaboration with OIG, on January 3, 2023, PBGC updated the SFA instructions to require a plan to also submit documentation of a death audit of the plan's census data, including identification of the commercial vendor and a copy of the results.

On June 12, 2023, OIG issued a White Paper, "Searching Plan Records for Deceased Participants." In the White Paper, OIG noted that "the commercial vendors report death match success rates ranging between 25 percent and 95 percent, depending upon several factors." Based on this finding, on July 27, 2023, PBGC began conducting an independent death audit for all pending and prospective SFA applications. PBGC performs the independent death search using the Social Security Administration's (SSA) Full Death Master File (DMF) that PBGC has access to as a means to help plans identify and remove any deceased terminated vested participants from the census data used to prepare their SFA applications. We believe this change has assisted plans in identifying deceased terminated vested participants.

The Central States SFA application was approved by PBGC on December 5, 2022. Consistent with the statute and PBGC's regulations, the \$35.8 billion in SFA funds provided to Central States, including the 0.35% of those funds highlighted in this report, were not paid to individual participants or beneficiaries, but rather in a lump sum distribution to the plan.

PBGC will further expand the independent death audit to all participant categories for SFA applications filed on and after November 1, 2023, by working with the appropriate agencies, including the Office of Management and Budget (OMB) and the SSA, to update the SFA application filing instructions to require this detailed census data.

The SFA application filing instructions are approved as part of an SFA information collection request (ICR) which expires on July 31, 2026. Under the Paperwork Reduction Act (PRA), PBGC will request emergency processing to amend the application instructions contained in this ICR to require applicants to provide census data of all participant categories. PBGC will use this data to conduct an independent death search using the SSA DMF. The information from the independent death audit will further assist plans in identifying deceased individuals and increase the accuracy of census data used for purposes of making SFA projections.

**Scheduled Completion Date:** March 31, 2024 (Date by which PRA/ICR process expected to be completed).

PBGC remains committed to ensuring the successful implementation of the SFA Program.

**Appendix III: Acronyms**

<b>Acronym</b>	<b>Meaning</b>
ARP	American Rescue Plan Act
DOB	Date of Birth
ERISA	Employee Retirement Income Security Act
MSFAD	Multiemployer Special Financial Assistance Division
NRAD	Negotiations and Restructuring Actuarial Department
OIG	Office of Inspector General
ONR	PBGC Office of Negotiations and Restructuring
PBGC	Pension Benefit Guaranty Corporation
SFA	Special Financial Assistance
SSA DMF	Social Security Administration Death Master File
SSN	Social Security Number

## **Appendix IV: Staff Acknowledgements**

PBGC OIG Contact

John Seger 202-229-3315 or  
[seger.john@pbgc.gov](mailto:seger.john@pbgc.gov)

Staff Acknowledgements

In addition to the contact above Charles Yao, Audit Manager; Jensen Chan, Actuary; Richard McCaffery, Program Analyst; Ruth Walk, Auditor; Kelly Migliore, Auditor; and Yolanda Young, Auditor, made contributions to this report.

## **Appendix V: Feedback**

Please send your comments, suggestions, and feedback to [OIGFeedback@pbgc.gov](mailto:OIGFeedback@pbgc.gov) and include your name, contact information, and the report number.



You may also mail comments to us:

Office of Inspector General  
Pension Benefit Guaranty Corporation  
445 12th Street SW  
Washington, DC 20024

If you want to discuss this report or your comments with a member of the Office of Inspector General staff, please contact our office at (202) 326-4030.



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**EXECUTIVE DIRECTOR**  
THOMAS C. NYHAN

November 29, 2023

**Via Electronic Mail**

John Seger  
Assistant Inspector General Audit  
PBGC Office of Inspector General  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20024-2101

Re: Comments by Central States, Southeast and Southwest Areas Pension Fund to Management Alert Regarding Deceased Participants in Special Financial Assistance Calculation

Dear Mr. Seger:

This letter comments on the Management Alert from the Office of the Inspector General (“OIG”) of the Pension Benefit Guaranty Corporation (“PBGC”) dated November 1, 2023 (EVAL-2024-01) (“Management Alert”) regarding deceased participants included in the calculation of the amount of special financial assistance (“SFA”) paid to the Central States, Southeast and Southwest Areas Pension Fund (“Central States” or the “Fund”). The SFA amount paid by PBGC to the Fund in January 2023 was \$35.8 billion, which represented the requested amount of \$35.0 billion plus an interest adjustment.

In calculating the amount of SFA, Central States followed the final rule and all application requirements issued by PBGC and recognized all participant deaths identified in the recent death audit performed by the Fund. Central States and other pension plans, however, do not have access to the Social Security Administration (“SSA”) Full Death Master File (“Full DMF”). The Full DMF is far superior to the death audit options available to pension plan sponsors in the private market.

As reported in the Management Report, after PBGC paid SFA to Central States, OIG found that 3,479 participants assumed to be living in the SFA calculation were in fact deceased according to the Full DMF. If the SFA calculation had reflected these deaths, the SFA amount would have been reduced by about \$127 million, or less than 0.4% of the total SFA amount.

It is important to understand that the SFA amounts are based on actuarial calculations. Actuarial calculations are based on census data, asset values, and other information known as of a measurement date. Actuarial calculations also make assumptions about future events, which are inherently uncertain. Effectively, the SFA calculation assumed that participants not identified as deceased by the death audit performed by the Fund were living as of the measurement date and

would die in future years according to the applicable mortality assumptions. As noted above, a subsequent death audit performed by OIG using the Full DMF found that 3,479 participants assumed to be living were in fact deceased.

The SFA calculation also assumed there was a possibility that the Fund's largest employer, Yellow Corporation ("Yellow"), would remain active and continue making contributions to the Fund. As described more fully in this letter, this assumption was developed after the Fund received feedback from PBGC in pre-application conferences. It ran counter to expectations among the Board of Trustees and the Fund Office that Yellow was likely to withdraw due to bankruptcy in the near future and fail to pay its withdrawal liability obligation, resulting in a significant loss of contribution income.

In fact, Yellow withdrew from the Fund due to bankruptcy in August 2023, one year after the SFA calculation was performed. If this withdrawal by Yellow had been reflected in the calculation, it would have *increased* the SFA amount by as much as \$432 million, or 1.2% of the total SFA amount. If the SFA calculation reflected both the deaths identified by OIG using the Full DMF and the withdrawal by Yellow in 2023, the *net increase* in the SFA amount would have been much as \$305 million, or 0.9% of the total SFA amount. Of course, at the time the SFA calculation was performed, the Fund did not have access to the Full DMF, nor did it have knowledge that Yellow would withdraw due to bankruptcy just a year later.

It is also important to note that while the SFA amount paid to Central States was increased by \$127 million because the calculation did not reflect 3,479 participant deaths subsequently identified using the Full DMF, this amount was not paid to deceased participants. Rather, the additional SFA amount is a Fund asset that will be used to increase the likelihood that the Fund will achieve its statutory objective of remaining solvent through 2051.

Finally, we reiterate our recommendation that, going forward, PBGC use the Full DMF to assist pension plan administrators in identifying deceased participants, not limited only to SFA purposes. Providing this assistance will reduce inappropriate overpayments by pension plans due to reporting lags, administrative errors, and fraudulent activity. Reduced overpayments will strengthen plans and therefore reduce long-term risk to PBGC. Identifying more deceased participants and beneficiaries will also increase the accuracy of the calculation of flat-rate premiums plans pay to PBGC each year. As described in more detail in this letter, we believe concerns over privacy and abuse may be alleviated if PBGC utilizes the Full DMF in the same way it has for reviewing SFA applications.

The balance of this letter includes more detail on the points described above. For reference, we have also attached two letters we previously sent to OIG on this matter. The July 7, 2023 letter provides detail on the Fund's application for SFA and the processes it follows to identify deceased participants. The August 25, 2023 letter details the calculation of the \$127 million amount referenced above.

John Seger  
November 29, 2023  
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Please contact me if you have any questions or would like to discuss this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'T.C. Nyhan', with a large, stylized flourish at the end.

Thomas C. Nyhan  
Executive Director

cc: Richard McCaffrey  
Nick Novak

Attachments

## **Death audits performed by Central States**

Attached is a letter Central States sent to OIG on July 7, 2023 on the topic of deceased participants included in the calculation of the SFA amount. To summarize some of the key points in this letter:

- Central States submitted a revised application for SFA on August 12, 2022. This application was completed in accordance with PBGC's final rule and application requirements, including the requirement to have performed a recent death audit and reflected the results in the calculation of the SFA amount. The death audit was performed in January 2022 using the Fund's commercial vendor, PBI Research Services ("PBI"). PBGC approved this application on December 5, 2022.
- Currently, Central States uses PBI to perform death audits on participants and beneficiaries in payment status once a week. The Fund uses the premium service offered by PBI for these weekly death audits. The Fund performs death audits on active and terminated vested participants once a year using the standard service offered by PBI. Of course, there is greater emphasis on timely identification of deaths among participants and beneficiaries in payment status, to avoid overpayments. The Fund would not begin payments to an active participant or terminated vested participant without first confirming they are living.
- Of the 3,479 total participants included in the SFA calculation subsequently identified by OIG as deceased using the Full DMF, only 16 were active participants. 2,644 were terminated vested participants, and 819 were participants or beneficiaries in payment status.
- There is sometimes a lag in reporting and discovering deaths. At the time OIG performed its death audit using the Full DMF in June 2023, the Fund had already identified 312 deaths of the 819 for participants and beneficiaries in payment status. The Fund, however, had not yet identified the remaining 507 deaths.
- Prior to 2011, the Fund primarily used the Full DMF to perform its death audits, as the Full DMF was available to the public. Effective November 1, 2011, the Social Security Administration restricted public access to the Full DMF, and the Fund was forced to use private market death audit providers instead. Not surprisingly, the vast majority of the deaths identified by OIG occurred in 2011 or later: over 97% of the total for participants and beneficiaries and over 88% of the total for terminated vested participants.
- These results highlight the importance of PBGC using the Full DMF to assist pension plans in identifying deceased participants with independent death audits. This point is described in more detail below.

## **Independent death audits going forward**

We recommend that, going forward, PBGC assist pension plan administrators by using the Full DMF to perform independent death audits, even if the plan is not applying for SFA or "regular" financial assistance. Requests for independent death audits should be granted by PBGC at least on an annual basis, if not more frequently. Consistent with current PBGC practice related

to SFA applications, the death audits would be performed on all participants regardless of status, not just terminated vested participants.

If PBGC provides this assistance to multiemployer plans, it will reduce inappropriate overpayments due to reporting lags, administrative errors, and fraudulent activity. Reduced overpayments will strengthen plans financially and therefore reduce long-term risk to PBGC. Improving the identification of deceased participants and beneficiaries will also increase the accuracy of the calculation of the flat-rate premiums plans pay to PBGC each year.

We appreciate there may be concerns over privacy and abuse as it relates to use of the Full DMF. To alleviate these concerns, PBGC could follow a similar process to what it has utilized in performing independent death audits on plans applying for SFA. Specifically, when a plan administrator requests that PBGC perform an independent death audit, it would provide PBGC with census data on its participants via a secure transmission. PBGC would then compare the plan's data against the Full DMF and report the results back to the plan administrator.

Under this approach, pension plan administrators would not have direct access to the Full DMF. Rather, they would receive from PBGC only information from the Full DMF related to their own plan participants.

## **SFA amount attributable to deceased participants**

The following exhibit summarizes the calculation of the \$127 million in SFA attributable to participants and beneficiaries subsequently identified by OIG as deceased using the Full DMF. This calculation is described in more detail in the attached letter from Central States to OIG, dated August 25, 2023.

### **SFA Amount Attributable to Deceased Participants**

Measurement Date: March 31, 2022

1. Amount Approved by PBGC	\$34,965,401,436
2. Amount Reflecting Deaths Identified by OIG	34,838,845,900
3. Amount Attributable to Deceased Participants (1. - 2.)	<b>\$126,555,536</b>

Note that these SFA amounts are based on census data as of January 1, 2021. Using the Full DMF, OIG found that 3,479 deaths that occurred on or before the census date were not reflected in the calculation of the SFA amount. Also note that these SFA amounts are based on a measurement date of March 31, 2022 and do not include applicable interest to the SFA payment date, which was in January 2023.

## **Yellow withdrawal**

At the time the SFA application was prepared, Yellow Corporation was the Fund's largest employer in terms of covered employment.<sup>1</sup> The Board of Trustees and the Fund Office suspected it was likely Yellow would withdraw from the Fund due to bankruptcy and fail to pay its withdrawal liability obligation, resulting in a significant loss of contribution income.

The Fund expressed this concern to PBGC prior to submitting its initial SFA application. Over multiple pre-application conferences, PBGC provided informal feedback to the Fund that assuming an imminent withdrawal by Yellow would be speculative. Therefore, the Fund worked with its actuary to develop an assumption that assigned probabilities that Yellow would withdraw due to bankruptcy in each year of the projection period based on historical default rates for companies with the same credit rating, as published by Moody's and S&P. This assumption is described in detail in the Fund's initial SFA application.<sup>2</sup>

Effectively, the calculation of the SFA amount assumed the cumulative probability of Yellow withdrawing due to bankruptcy was about 12% through 2023 and about 44% through 2051 (the end of the projection period). In fact, as surmised by the Board of Trustees and the Fund Office, Yellow withdrew from the Fund due to bankruptcy much sooner, in August 2023. The Fund is currently pursuing withdrawal liability from Yellow, but collections are at this point uncertain.

The following is an actuarial certification describing the impact on the SFA amount if the calculation had assumed Yellow would withdraw due to bankruptcy in 2023.

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<sup>1</sup> In 2021, Yellow represented 28% of total contribution base units and 14.0% of contribution dollars.

<sup>2</sup> Initial SFA application: <https://www.pbgc.gov/documents/central-states-southeast-southwest-areas-pension-plan>

## Impact of Yellow Withdrawal on SFA Amount

This is an actuarial certification describing the impact on the SFA amount if the calculation had assumed Yellow would withdraw due to bankruptcy in 2023. The impacts are summarized in the exhibit below. All amounts are based on a measurement date of March 31, 2022 and do not include applicable interest to the SFA payment date in January 2023.

### SFA Amount Adjusted for Withdrawal by Yellow Measurement Date: March 31, 2022

1. Amount Approved by PBGC	\$34,965,401,436
2. Amount Reflecting Deaths Identified by OIG	34,838,845,900
3. Amount Assuming Withdrawal by Yellow in 2023	35,270,547,126
4. Increase due to Assumed Withdrawal by Yellow (3. - 2.)	<b>\$431,701,226</b>
5. Net Increase, Including Deaths Identified by OIG (3. - 1.)	<b>\$305,145,690</b>

As shown above, if the SFA calculation had assumed Yellow would withdraw in 2023 due to bankruptcy, it would have increased the SFA amount by \$431.7 million, or about 1.2% of the total. Offset by the impact of reflecting the deaths identified by OIG, the net increase over the SFA amount approved by PBGC would have been \$305.1 million, or about 0.9% of the total.

Note that the increase in the SFA amount resulting from an assumed withdrawal by Yellow is due to the loss of projected contribution income. Under the applicable statute and the calculation methodology prescribed in PBGC's final rule, the resulting reduction in contribution income over the projection period would be offset by an increase in the SFA amount, such that the Fund is projected to be able to pay benefits and expenses through the end of the 2051 plan year.

## Actuarial Basis

Except as described below, the SFA amounts shown above are based on the same actuarial assumptions and methods used to calculate the SFA amount in the application submitted on August 12, 2022 and approved by PBGC on December 5, 2022.<sup>3</sup> The amounts were calculated according to §4262.4 of PBGC's SFA final rule and are based on interest rates of 2.91% for SFA assets and 3.00% for non-SFA assets.

Except for the amount approved by PBGC, the SFA amounts shown above reflect the deaths of 3,479 participants identified by OIG using the Full DMF, in a listing provided to the Fund on June 14, 2023. In-pay status participants identified as deceased by OIG were assumed to have no surviving spouse. Inactive vested participants identified as deceased by OIG with no known

<sup>3</sup> Approved SFA application: <https://www.pbgc.gov/documents/central-states-southeast-southwest-areas-pension-plan-revised>

information regarding a surviving spouse were replaced with assumed surviving spouses, as follows:

- 75% of these deceased participants are assumed to be married at their time of death. 85% if these participants' spouses are assumed to survive and claim a survivor benefit. Therefore, 63.75% (75% x 85%) of these deceased participants are assumed to have a surviving spouse.
- Surviving spouses are assumed to be the opposite sex of the deceased participant. Females are assumed to be two years younger than their male spouses.
- Surviving spouses are assumed to receive a 50% qualified surviving spouse annuity at the earliest possible commencement date. If applicable, the surviving spouse is assumed to be paid retroactive payments consistent with the Fund's policy.

The SFA amount assuming a withdrawal by Yellow in 2023 due to bankruptcy also assumes there will be no withdrawal liability collection, consistent with the SFA application. Any assumed withdrawal liability collection would result in an equivalent reduction in the SFA amount.

## **Actuarial Statement**

Segal has performed the calculation of the SFA amount associated with participants identified as deceased by OIG at the request of the Fund. Segal has performed the calculation amount in accordance with generally accepted actuarial principles and practices, as well as the provisions under §4262.4 of PBGC's SFA final rule. Segal does not practice law and, therefore, cannot and does not provide legal advice. Any statutory interpretation on which these calculations are based reflects Segal's understanding as an actuarial firm.

I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of my knowledge, the information supplied herein is complete and accurate. Each prescribed assumption for the determination of the SFA amount was applied in accordance with applicable law and regulations. In my opinion, all other assumptions are reasonable taking into account the experience of the plan and reasonable expectations.



Daniel V. Ciner, MAAA  
Senior Vice President and Actuary  
Enrolled Actuary No. 23-05773

November 29, 2023



**EMPLOYEE TRUSTEES**  
CHARLES A. WHOBREY  
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ROBERT WHITAKER  
MARK F. ANGERAME  
RICHARD K. ELLIS

**EXECUTIVE DIRECTOR**  
THOMAS C. NYHAN

July 7, 2023

**Via Electronic Mail**

John Seger  
Assistant Inspector General Audit  
PBGC Office of Inspector General  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20024-2101

Re: Potentially Deceased Participants Included in the Application for Special Financial Assistance by the Central States, Southeast and Southwest Areas Pension Fund

Dear Mr. Seger:

On June 14, 2023, the Office of the Inspector General (“OIG”) of the Pension Benefit Guaranty Corporation (“PBGC”) provided us with a listing of potentially deceased participants who were included in the application for special financial assistance (“SFA”) by the Central States, Southeast and Southwest Areas Pension Fund (“Central States” or the “Fund”) that was approved by PBGC. We have reviewed the participant listing, and we have no reason to believe that these individuals are not deceased.

As requested by OIG, we have prepared the attached response summarizing our review of the participant listing. The response includes commentary on the deceased participants included in the Fund’s SFA application, background on the Fund’s death audit practices, and the impact of the restricted access to the Social Security Administration Full Death Master File (“Full DMF”). Our response also recommends that PBGC use the Full DMF to broadly assist pension plan administrators in identifying deceased participants and beneficiaries, not limited only to financial assistance awards.

Please contact me if you have any questions or require any additional information.

Sincerely,

Thomas C. Nyhan  
Executive Director

cc: Richard McCaffrey  
Jensen Chan

## **Death audit requirement in PBGC final rule**

For background, the Fund submitted a revised application for SFA on August 12, 2022, after having withdrawn its initial application that same day. While the Fund's initial application was submitted under PBGC's interim final rule, the revised application was submitted under the final rule. PBGC approved the revised SFA application on December 5, 2022.

It is important to note that the Fund's revised SFA application complied with the death audit requirement in PBGC's final rule. Specifically, the application demonstrated that the Fund had performed a recent death audit, and that the identified deaths that occurred prior to the January 1, 2021 census date were reflected in the calculation of the SFA amount.

The death audit incorporated in the SFA application was performed in January 2022 using the Fund's commercial vendor, PBI Research Services ("PBI"). This death audit found 391 participants who had been included in the actuarial valuation as of January 1, 2021, but who were subsequently identified to be deceased prior to the census date. Again, these deaths were recognized in the calculation of the SFA amount.

## **Access to Full Death Master File**

On June 12, 2023, OIG published a white paper on the topic of identifying deceased participants in pension plan records.<sup>1</sup> The white paper describes how PBGC has access to the Social Security Administration ("SSA") Full Death Master File ("Full DMF"), which includes privileged data from state and local health departments that is not available to the public.

The paper also describes how pension plans like the Fund do not have access to the Full DMF. Instead, they must rely on the public death records in the SSA's "Limited Access Death Files," commercial vendors, and their own verification methods to identify deceased participants. The combination of these methods, however, does not provide the same level of precision in identifying deaths as the Full DMF.

It is important to note that prior to 2011, the SSA allowed public access to its Full DMF. The Fund and many other pension plans used the Full DMF as their primary resource in identifying deceased participants and beneficiaries.

Effective November 1, 2011, the SSA changed its policy and no longer included protected death records from state and local health departments in what was made available to the public, citing section 205(r) of the Social Security Act. As a result of the change, SSA removed approximately 4.2 million records from its files available to the public.<sup>2</sup> Advanced Reporting, a consumer reporting agency, estimated the death records shared publicly by SSA each year would be reduced by about one-third.<sup>3</sup>

Not long after, Congress passed Section 203 of the Bipartisan Budget Act of 2013, Public Law 113-67 (Act) in December 2013. Section 203 of the Act further limited the public's access to the Full DMF by prohibiting the Secretary of Commerce from disclosing death information for a period of 3 calendar years following an individual's death, unless the person requesting the information is certified to access that information pursuant to certain criteria in a program established by the Secretary.

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<sup>1</sup> PBGC OIG. June 12, 2023. *Searching Plan Records for Deceased Participants*. <https://oig.pbgc.gov/pdfs/SR-2023-10.pdf>

<sup>2</sup> National Technical Information Service. 2011. <https://ladmf.ntis.gov/docs/import-change-dmf.pdf>

<sup>3</sup> Advanced Reporting. November 17, 2011. <https://advrep.com/2011/11/17/dmf/>

With access to SSA death records restricted, the Fund and other pension plans faced an increased burden to identify deceased participants and beneficiaries. Soon after these changes took effect, commercial vendors emerged to fill the void. As noted above, however, even with commercial vendors and enhanced verification methods, pension plans have not been able to identify deceased participants and beneficiaries with the level of precision of the Full DMF.

**Central States’ death audit practice**

As noted above, prior to 2011, the Fund primarily used the SSA Death Master File to identify deceased participants and beneficiaries. When the SSA restricted access to the Full DMF, the Fund was forced to engage private sector providers to perform death audits. After an extensive review, the Fund retained SmallWorld Solutions / LifeStatus360 to perform this important function in 2015. In 2016, the Fund retained PBI Research Services (PBI).

Currently, the Fund uses PBI to perform a death audit on participants and beneficiaries in payment status once a week. For these death audits, the Fund uses the premium service provided by PBI, “CertiDeath.” The Fund also receives death notifications from estate administrators, guardians, surviving family members, and local unions. For active and terminated vested participants, the Fund uses PBI to perform a death audit once a year. For these death audits, the Fund uses the standard level service provided by PBI. For active participants, deaths are also reported by contributing employers and local unions as they occur.

As described earlier, the Fund used the death audit it performed in January 2022 using PBI to demonstrate compliance with the applicable requirement in the PBGC final rule.

**Deceased participants included in SFA application**

As part of its initial SFA application, the Fund had provided PBGC with the participant census data used in the calculation of the SFA amount, with personally identifiable information removed. On May 11, 2023, pursuant to subpoena, the Fund provided OIG with the participant census data including personally identifiable information for each participant and survivor, specifically Social Security Number and name.

Using the Full DMF, OIG performed a death audit of the census data. On June 14, 2023, OIG provided the Fund with a list of 3,479 participants included in the calculation of the SFA amount who appeared to have died prior to the January 1, 2021 census date. The following exhibit summarizes these participants by status. As shown below, 2.18% of terminated vested participants and 0.96% of total participants included in the calculation of the SFA amount were found by OIG to be deceased prior to the census date.

**Deceased Participants Included in SFA Application**

Participant Status	Deceased Prior to Census Date	Total Included in SFA Application	Deceased as % of Total
Active	16	47,378	0.03%
Terminated Vested	2,644	121,138	2.18%
Retired	597	156,542	0.38%
Disabled	20	1,882	1.06%
Beneficiary	202	33,655	0.60%
<b>Total</b>	<b>3,479</b>	<b>360,595</b>	<b>0.96%</b>

**Central States, Southeast and Southwest Areas Pension Fund**  
 Information on Deceased Participants Included in SFA Application | July 7, 2023

The Fund reviewed the listing provided by OIG and was able to match each of the participants based on Social Security Number as well as name, date of birth, or both. In other words, based on this review, the Fund has no reason to believe that any of the participants on the OIG listing were not in fact deceased prior to the census date.

The Fund’s actuary, Segal, estimates that if the deaths identified by OIG were reflected in the calculation of the SFA amount, it would reduce the amount by less than one-half of one percent. This estimate uses the same assumptions and methods described in the Fund’s SFA application that was approved by PBGC, including the assumption for deceased terminated vested participants.

One reason for the relatively small impact on the SFA amount is that, on average, the deceased participants had significantly lower monthly benefits than for the overall participant population. These averages are summarized in the following exhibit.

**Average Monthly Benefits**

Participant Status	Number of Deceased Participants	Avg. Monthly Benefit, Deceased Participants	Avg. Monthly Benefit, Overall Population
Active	16	\$1,282	\$1,263
Terminated Vested	2,644	\$596	\$968
Retired	597	\$746	\$1,401
Disabled	20	\$261	\$418
Beneficiary	202	\$294	\$465

**Lag in reporting and discovery**

OIG was able to identify deceased participants and beneficiaries included in the calculation of the SFA amount because it has access to the Full DMF, while the Fund and PBI do not. It is also worth noting that the Fund and PBI later identified many of these deaths *after* the January 2022 death audit performed for the SFA application. This result was expected, as there is a lag between when a person dies and when their death is reported or discovered. Typically, the lag is a few days or weeks. In cases when deaths are not actively reported, it may take several months (or perhaps years) to discover them.

For reference, the following exhibit shows the number of deceased participants and beneficiaries in payment status included in the calculation of the SFA amount whose deaths were discovered by the Fund or PBI after the January 2022 death audit. (In the interest of providing a timely response to OIG, the Fund focused on participants and beneficiaries in payment status, not those who have not yet commenced benefits.)

**In-Payment Status Deaths Identified Since January 2022**

Participant Status	Deceased Prior to Census Date	Deaths Identified Since January 2022	Deaths Not Identified as of June 2023
Retired	597	234	363
Disabled	20	4	16
Beneficiary	202	74	128
Total in Payment Status	819	312	507

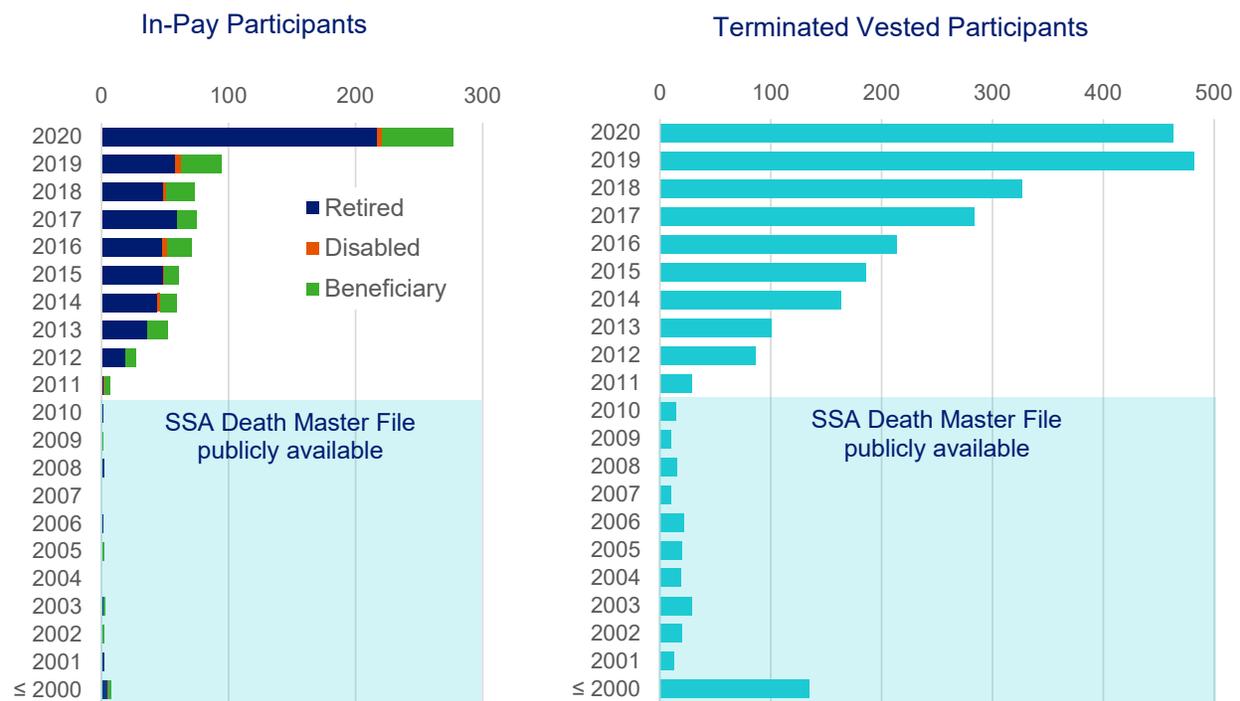
As shown above, as of June 2023, the Fund and PBI have identified about 38% of the deaths (312 of 819) for participants and beneficiaries in payment status. This result illustrates the lag in reporting or discovery with certain deaths. The remaining 62% of the deaths (507 of 819) represent those included in the Full DMF but not identified by the Fund or PBI.

**Further analysis of deceased participants**

For additional reference, the following exhibit shows the distribution of deceased participants included in the SFA application by their reported year of death. Results are shown separately for participants and beneficiaries in payment status versus terminated vested participants. Note that for the relatively small number of deceased active participants (16) included in the SFA application, all have a reported date of death in 2020.

As shown below, the vast majority of the deaths occurred on or after 2011: the year when the SSA restricted public access to its Full DMF. Reported deaths that occurred in 2011 or later represent over 97% of the total for participants and beneficiaries in payment status and over 88% of the total for terminated vested participants.

**Year of Death for Deceased Participants**



PBI has proven itself to be one of the most capable providers of death audit services in the private market. Nevertheless, this exhibit shows that that even the robust efforts by a private commercial vendor like PBI do not capture all the deaths in the SSA Full DMF, which has access to privileged data from state and local health departments.

Note that for participants and beneficiaries in payment status, a significant percentage of reported deaths were in 2020, with a noticeable drop for prior years. This result supports a point made earlier: that there is sometimes a lag between when a death occurs and when it is discovered, either by PBI or by the Fund.

## **Central States, Southeast and Southwest Areas Pension Fund**

Information on Deceased Participants Included in SFA Application | July 7, 2023

Also note that for terminated vested participants, a significant portion of the reported deaths, over 11%, occurred in 2010 or earlier. Over 5% of reported deaths occurred in 2000 or earlier. The main reason for this result is that the Fund has performed more rigorous death audits on participants and beneficiaries in payment status than on terminated vested participants. For example, as noted above, the Fund uses the premium level service provided by PBI for participants and beneficiaries in payment status, but it uses the standard level service for terminated vested participants.

### **Recommendation**

The OIG white paper published June 12, 2023 describes how the Full DMF is superior to the death audit capabilities of pension plans and commercial vendors. It also encourages PBGC to continue its current practice of utilizing the Full DMF to identify deceased multiemployer plan participants in advance of approving applications for SFA. We agree with OIG that PBGC's change in practice on a going forward basis is appropriate.

We recommend that PBGC also use the Full DMF to assist multiemployer pension plans in identifying deceased participants and beneficiaries, even if the plan is not eligible for SFA or traditional financial assistance. For example, it would be helpful if PBGC allowed multiemployer plan administrators to submit participant listings that PBGC would then compare against the Full DMF. These submissions could be made annually or on demand.

Assisting multiemployer plan administrators in identified deceased participants and beneficiaries will reduce overpayments due to reporting lags, administrative errors, and fraudulent activity. Reduced overpayments will strengthen plans and therefore reduce long-term risk to PBGC. Identifying more deceased participants and beneficiaries will also increase the accuracy of the calculation of flat-rate premiums plans pay to PBGC each year.



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ROBERT WHITAKER  
MARK F. ANGERAME  
RICHARD K. ELLIS

**EXECUTIVE DIRECTOR**  
THOMAS C. NYHAN

August 25, 2023

**Via Electronic Mail**

John Seger  
Assistant Inspector General Audit  
PBGC Office of Inspector General  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20024-2101

Re: Estimated Impact on SFA Amount Attributed to Deceased Participants

Dear Mr. Seger:

On August 15, 2023, the Office of the Inspector General (“OIG”) of the Pension Benefit Guaranty Corporation (“PBGC”) provided our actuary, Segal, with an estimate of deceased participants who were included in the determination of the amount of special financial assistance (“SFA”) paid to the Central States, Southeast and Southwest Areas Pension Fund (“Central States” or the “Fund”). OIG previously provided the Fund with a listing of these deceased participants on June 14, 2023.

Based on simplified assumptions, OIG estimated the SFA amount associated with these deceased participants to be about \$182 million. Based on actuarial assumptions and methods consistent with the Fund’s application for SFA, Segal calculates the SFA amount associated with the deceased participants to be approximately \$127 million. Though OIG’s estimate differs from Segal’s calculation, both amounts represent one-half of one percent or less of the total SFA amount as of the measurement date. For reference, the attached exhibit from Segal provides more detail on our estimate.

We previously issued a response to OIG regarding the deceased participants included in the determination of the SFA amount, in a letter dated July 7, 2023. We reiterate our recommendation in that letter that PBGC use the Social Security Administration Full Death Master File (“Full DMF”) to assist multiemployer plan administrators in identifying deceased participants and beneficiaries annually or on demand – not just in conjunction with an application for SFA. Providing this assistance will reduce overpayments, which will strengthen plans financially and therefore reduce long-term risk to PBGC. It will also increase the accuracy of the calculation of flat-rate premiums paid by plans to PBGC each year.

Please contact me if you have any questions or require any additional information.

Sincerely,



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E.....

cc: Richard McCaffrey  
Jensen Chan

## Summary

The following exhibit summarizes the calculation of amount of special financial assistance associated with the 3,479 participants OIG identified as deceased as of the January 1, 2021 census date for the SFA application by Central States. Amounts are based on the SFA measurement date of March 31, 2022.

### SFA Amounts as of March 31, 2022

1. Amount Approved by PBGC	\$34,965,401,436
2. Amount Reflecting Deaths Identified by OIG	34,838,845,900
3. Amount Associated with Deceased Participants (1. - 2.)	<b>\$126,555,536</b>

As shown above, we calculated the SFA amount associated with the 3,479 deceased participants as the difference between the SFA amount approved by PBGC and the SFA amount reflecting the deaths identified by OIG. We did not separately calculate SFA amounts for participants in pay status versus those not in pay status.

## Actuarial Basis

The 3,479 participants discovered to be deceased by OIG were identified in a listing provided by OIG to the Fund on June 14, 2023.

In general, the SFA amount reflecting the deaths identified by OIG is based on the same actuarial assumptions and methods used to calculate the SFA amount in the application submitted on August 12, 2022 and approved by PBGC on December 5, 2022. Notably, the calculation is consistent with §4262.4 of PBGC's SFA final rule and is based on interest rates of 2.91% for SFA assets and 3.00% for non-SFA assets.

In-pay status participants identified as deceased by OIG were assumed to have no surviving spouse. Inactive vested participants identified as deceased by OIG with no known information regarding a surviving spouse were replaced with assumed surviving spouses, as follows:

- 75% of these deceased participants are assumed to be married at their time of death. 85% if these participants' spouses are assumed to survive and claim a survivor benefit. Therefore, 63.75% (75% x 85%) of these deceased participants are assumed to have a surviving spouse.
- Surviving spouses are assumed to be the opposite sex of the deceased participant. Females are assumed to be two years younger than their male spouses.
- Surviving spouses are assumed to receive a 50% qualified surviving spouse annuity at the earliest possible commencement date. If applicable, the surviving spouse is assumed to be paid retroactive payments consistent with the Fund's policy.

## **Actuarial Statement**

Segal has performed the calculation of the SFA amount associated with participants identified as deceased by OIG at the request of the Fund. Segal has performed the calculation amount in accordance with generally accepted actuarial principles and practices, as well as the provisions under §4262.4 of PBGC's SFA final rule. Segal does not practice law and, therefore, cannot and does not provide legal advice. Any statutory interpretation on which these calculations are based reflects Segal's understanding as an actuarial firm.

I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of my knowledge, the information supplied herein is complete and accurate. Each prescribed assumption for the determination of the SFA amount was applied in accordance with applicable law and regulations. In my opinion, all other assumptions are reasonable taking into account the experience of the plan and reasonable expectations.



Daniel V. Ciner, MAAA  
Senior Vice President and Actuary  
Enrolled Actuary No. 23-05773

August 25, 2023