OFFICE OF INSPECTOR GENERAL

AUDIT REPORT

Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2023 and 2022 Financial Statements

Report No. AUD-2024-02
November 15, 2023

Office of Inspector General

November 15, 2023

To the Board of Directors
Pension Benefit Guaranty Corporation

The Office of Inspector General contracted with Ernst & Young LLP (EY), an independent certified public accounting firm, to audit the financial statements of the Single-Employer and Multiemployer Program Funds administered by the Pension Benefit Guaranty Corporation (PBGC) as of and for the years ended September 30, 2023 and 2022. EY conducted the audit in accordance with the auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*), and in accordance with the provisions of OMB Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*.

In their audit, EY found:

- The financial statements present fairly, in all material respects, the financial position of the Single-Employer and Multiemployer Program Funds administered by the PBGC at September 30, 2023 and 2022, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. This is the 31st consecutive unmodified financial statements audit opinion.

- PBGC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023, based on criteria established under 31 U.S.C. § 3512 (c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA) as implemented by OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and in *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office (the Green Book).

- No instances of reportable noncompliance or other matters with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

EY is responsible for the accompanying auditor's reports dated November 15, 2023 and the conclusions expressed therein. We do not express opinions on PBGC's financial statements or internal control over financial reporting, nor do we draw conclusions on compliance with laws and regulations. The auditor's reports (AUD-2024-02) are also available on our website at oig.pbgc.gov.

Respectfully,

Nicholas J. Novak

Nicholas J. Novak
Inspector General

cc: Gordon Hartogensis
Patricia Kelly
Alice Maroni
Kristin Chapman
David Foley
Karen Morris
Ann Orr
Robert Scherer
Walt Luiza
Lisa Carter
John Hanley

Audit of the Pension Benefit Guaranty Corporation’s

Fiscal Year 2023 and 2022 Financial Statements

Audit Report AUD-2024-02

Section I

Independent Auditor's Reports

This page intentionally left blank.

Ernst & Young LLP
1775 Tysons Blvd
Tysons, VA 22102

Tel: +1 703 747 1000
Fax: +1 703 747 0100
ey.com

Report of Independent Auditors

To the Board of Directors, Management, and the Inspector General
of the Pension Benefit Guaranty Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Pension Benefit Guaranty Corporation (the Corporation), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of operations and cash flows of the Single-Employer and Multiemployer Program Funds for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Single-Employer and Multiemployer Program Funds at September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*, the Corporation's internal control over financial reporting as of September 30, 2023, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA) as implemented by Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and in *Standards for Internal Control in the Federal Government*, issued by the United States Government Accountability Office (the Green Book), and our report dated November 15, 2023, expressed an unmodified opinion thereon.

Basis for Opinion

We conducted our audits in accordance with GAAS, in accordance with *Government Auditing Standards*, and in accordance with the provisions of OMB Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and the provisions of OMB Bulletin No. 24-01 are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the potential losses from Single-Employer plans for which termination is reasonably possible as a result of unfunded vested benefits are estimated to be approximately $26 billion. Management calculated the potential losses from Single-Employer plans for which termination is reasonably possible based on the most recent data available from filings and submissions for plan years ended on or after December 31, 2021, and adjusted the value reported for liabilities to the estimated balance as of December 31, 2022, using actuarial assumptions. The Corporation did not adjust the estimate for economic conditions that occurred between December 31, 2022 and September 30, 2023, and, as a result, the underfunding for the Single-Employer Program as of September 30, 2023, could be substantially different. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* and the provisions of OMB Bulletin No. 24-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* and the provisions of OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Message from the Corporation's Chair, Message from the Director, Annual Performance Report, Operations in Brief, Strategic Goals and Results, Independent Evaluation of the Corporation's Programs, Fiscal Year 2023 Financial Statement Highlights, Management's Discussion and Analysis, Analysis of Entity's Systems, Controls and Legal Compliance, Management Representation, Payment Integrity Information Act Reporting, 2023 Actuarial Valuation, Letter of the Inspector General, Management's Response Letter and Organization but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated November 15, 2023, on our audit of the Corporation's internal control over financial reporting. The purpose of that report is to provide an opinion on internal control over financial reporting. In accordance with *Government Auditing Standards*, we also have issued our report dated November 15, 2023, on our tests of the Corporation's compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Ernst & Young LLP

November 15, 2023

Ernst & Young LLP
1775 Tysons Blvd
Tysons, VA 22102

Tel: +1 703 747 1000
Fax: +1 703 747 0100
ey.com

Report of Independent Auditors on Internal Control Over Financial Reporting

To the Board of Directors, Management, and the Inspector General
of the Pension Benefit Guaranty Corporation

Opinion on Internal Control Over Financial Reporting

We have audited the Pension Benefit Guaranty Corporation's (the Corporation) internal control over financial reporting as of September 30, 2023, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA) as implemented by Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and in *Standards for Internal Control in the Federal Government,* issued by the United States Government Accountability Office (the Green Book). In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023, based on the criteria established under FMFIA, OMB Circular No. A-123, and the Green Book.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and in accordance with the provisions of OMB Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, the statements of financial position as of September 30, 2023 and 2022, and the related statements of operations and cash flows of the Single-Employer and Multiemployer Program Funds for the years then ended, and the related notes (collectively referred to as the "financial statements"), and our report dated November 15, 2023, expressed an unmodified opinion thereon.

Basis for Opinion

We conducted our audit in accordance with GAAS and in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for Internal Control Over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Analysis of Entity's Systems, Controls and Legal Compliance section of the Annual Report.

Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk. We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements; and (4) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Reporting Significant Deficiencies in Internal Control Over Financial Reporting as Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies. A *deficiency in internal control* over financial reporting (internal control) exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated November 15, 2023, on our tests of the Corporation's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's compliance.

Ernst + Young LLP

November 15, 2023

Ernst & Young LLP
1775 Tysons Blvd
Tysons, VA 22102

Tel: +1 703 747 1000
Fax: +1 703 747 0100
ey.com

Report of Independent Auditors on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors, Management, and the Inspector General
of the Pension Benefit Guaranty Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*) and the provisions of Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, the financial statements of the Pension Benefit Guaranty Corporation (the Corporation), which comprise the statement of financial position as of September 30, 2023 and 2022, and the related statements of operations and cash flows of the Single-Employer and Multiemployer Program Funds for the years then ended, and the related notes (collectively referred to as the "financial statements"), and have issued our report thereon dated November 15, 2023, which expressed an unmodified opinion thereon. We also have audited, in accordance with GAAS and in accordance with *Government Auditing Standards*, the Corporation's internal control over financial reporting as of September 30, 2023, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA) as implemented by OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and in *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office (the Green Book), and our report dated November 15, 2023, expressed an unmodified opinion thereon.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the provisions of OMB Bulletin No. 24-01.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the Corporation's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's compliance. Accordingly, this communication is not suitable for any other purpose.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023, on our audit of the Corporation's internal control over financial reporting. The purpose of that report is to provide an opinion on internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting.

Ernst + Young LLP

November 15, 2023

This page intentionally left blank.

Audit of the Pension Benefit Guaranty Corporation's

Fiscal Year 2023 and 2022 Financial Statements

Audit Report AUD-2024-02

Section II

Pension Benefit Guaranty Corporation's

Fiscal Year 2023 and 2022 Financial Statements

This page intentionally left blank.

PENSION BENEFIT GUARANTY CORPORATION

STATEMENTS OF FINANCIAL POSITION

(Dollars in Millions)	Single-Employer Program		Multiemployer Program		Memorandum Total	
	September 30,		September 30,		September 30,	
	2023	2022	**2023**	2022	**2023**	2022
ASSETS						
Cash and cash equivalents	**$12,424**	$8,070	**$1,229**	$608	**$13,653**	$8,678
Restricted Cash	**-**	-	**369**	36	**369**	36
Total cash, cash equivalents, and restricted cash	**$12,424**	$8,070	**$1,598**	$644	**$14,022**	$8,714
Securities lending collateral (Notes 3 and 5)	**6,753**	4,581	**-**	-	**6,753**	4,581
Investments, at market (Notes 3 and 5):						
Fixed maturity securities	**88,880**	90,969	**2,161**	2,439	**91,041**	93,408
Equity securities	**13,374**	12,509	**-**	-	**13,374**	12,509
Private equity	**195**	242	**-**	-	**195**	242
Real estate and real estate investment trusts	**1,613**	1,502	**-**	-	**1,613**	1,502
Other	**277**	282	**-**	-	**277**	282
Total investments	**104,339**	105,504	**2,161**	2,439	**106,500**	107,943
Receivables, net:						
Sponsors of terminated plans	**18**	21	**-**	-	**18**	21
Premiums (Note 11)	**4,167**	3,156	**223**	200	**4,390**	3,356
Sale of securities	**1,523**	1,707	**-**	-	**1,523**	1,707
Derivative contracts (Note 4)	**761**	655	**-**	-	**761**	655
Investment income	**691**	649	**14**	11	**705**	660
Other	**16**	8	**49**	198	**65**	206
Total receivables	**7,176**	6,196	**286**	409	**7,462**	6,605
Capitalized assets, net (Notes 10 and 16)	**181**	43	**1**	1	**182**	44
Total assets	**$130,873**	$124,394	**$4,046**	$3,493	**$134,919**	$127,887

The accompanying notes are an integral part of these financial statements.
The Single-Employer Program and Multiemployer Program (which includes the SFA Program) are separate by law.
The "Memorandum Total" data columns presented above are solely an entity-wide informational view of the PBGC's two independent insurance programs.

PENSION BENEFIT GUARANTY CORPORATION
STATEMENTS OF FINANCIAL POSITION

	Single-Employer Program		Multiemployer Program		Memorandum Total	
	September 30,		September 30,		September 30,	
(Dollars in Millions)	**2023**	2022	**2023**	2022	**2023**	2022
LIABILITIES						
Present value of future benefits, net (Note 6):						
Trusted plans	**$73,610**	$78,422	**-**	-	**$73,610**	$78,422
Plans pending termination and trusteeship	**16**	(328)	**-**	-	**16**	(328)
Settlements and judgments	**17**	17	**-**	-	**17**	17
Claims for probable terminations	**286**	221	**-**	-	**286**	221
Total present value of future benefits, net	**73,929**	78,332	**-**	-	**73,929**	78,332
Present value of nonrecoverable future financial assistance (Note 7)						
Insolvent plans	**-**	-	**1,622**	1,551	**1,622**	1,551
Probable insolvent plans	**-**	-	**589**	839	**589**	839
Total present value of nonrecoverable future financial assistance	**-**	-	**2,211**	2,390	**2,211**	2,390
Special financial assistance	**-**	-	**358**	28	**358**	28
Payables, net:						
Derivative contracts (Note 4)	**711**	641	**-**	-	**711**	641
Due for purchases of securities	**4,368**	3,934	**-**	-	**4,368**	3,934
Payable upon return of securities loaned	**6,753**	4,581	**-**	-	**6,753**	4,581
Unearned premiums	**264**	254	**9**	8	**273**	262
Leases Payable	**140**	-	**-**	-	**140**	-
Accounts payable and accrued expenses (Note 8)	**93**	78	**7**	6	**100**	84
Total payables	**12,329**	9,488	**16**	14	**12,345**	9,502
Total liabilities	**86,258**	87,820	**2,585**	2,432	**88,843**	90,252
Contributed transfer appropriation	**-**	-	**8**	6	**8**	6
Cumulative results of operations	**44,615**	36,574	**1,453**	1,055	**46,068**	37,629
Net position	**44,615**	36,574	**1,461**	1,061	**46,076**	37,635
Total liabilities and net position	**$130,873**	$124,394	**$4,046**	$3,493	**$134,919**	$127,887

The accompanying notes are an integral part of these financial statements.
The Single-Employer Program and Multiemployer Program (which includes the SFA Program) are separate by law.
"Contributed Transfer Appropriation" represents the total unused budget authority from General Fund appropriation(s) at fiscal year end, which is returned to the U.S. Treasury if unused by fiscal year end.
The "Memorandum Total" data columns presented above are solely an entity-wide informational view of the PBGC's two independent insurance programs.

PENSION BENEFIT GUARANTY CORPORATION
STATEMENTS OF OPERATIONS

(Dollars in Millions)	Single-Employer Program For the Years Ended September 30, 2023	2022	Multiemployer Program For the Years Ended September 30, 2023	2022	Memorandum Total For the Years Ended September 30, 2023	2022
UNDERWRITING:						
Income:						
Premium, net (Note 11)	**$5,597**	$4,586	**$368**	$339	**$5,965**	$4,925
Contributed transfer appropriation income	-	-	**45,925**	7,566	**45,925**	7,566
Other	**16**	21	**13**	10	**29**	31
Total	**5,613**	$4,607	**46,306**	$7,915	**51,919**	12,522
Expenses:						
Administrative	**433**	463	**7**	9	**440**	472
Administrative special financial assistance	**-**	-	**18**	11	**18**	11
Other	**3**	20	**-**	-	**3**	20
Total	**436**	483	**25**	20	**461**	503
Other underwriting activity:						
Losses (credits) from completed and probable terminations (Note 12)	**949**	249	**-**	-	**949**	249
Losses (credits) from insolvent and probable plans-financial assistance (Note 7)	**-**	-	**(10)**	(72)	**(10)**	(72)
Actuarial adjustments (credits) (Note 6)	**(91)**	(1,337)	**(37)**	(15)	**(128)**	(1,352)
Special Financial Assistance Expense	**-**	-	**45,907**	7,555	**45,907**	7,555
Total	**858**	(1,088)	**45,860**	7,468	**46,718**	6,380
Underwriting gain (loss)	**4,319**	5,212	**421**	427	**4,740**	5,639
FINANCIAL:						
Investment income (loss) (Note 13):						
Fixed	**2,168**	(19,305)	**(2)**	(248)	**2,166**	(19,553)
Equity	**2,648**	(3,655)	**-**	-	**2,648**	(3,655)
Private equity	**(11)**	6	**-**	-	**(11)**	6
Real estate	**(21)**	(229)	**-**	-	**(21)**	(229)
Other	**16**	151	**-**	-	**16**	151
Total	**4,800**	(23,032)	**(2)**	(248)	**4,798**	(23,280)
Expenses:						
Investment	**111**	122	**-**	-	**111**	122
Actuarial charges (Note 6):						
Due to expected interest	**3,909**	482	**87**	10	**3,996**	492
Due to change in interest factors	**(2,942)**	(24,061)	**(66)**	(408)	**(3,008)**	(24,469)
Total	**1,078**	(23,457)	**21**	(398)	**1,099**	(23,855)
Financial gain (loss)	**3,722**	425	**(23)**	150	**3,699**	575
Net income (loss)	**8,041**	5,637	**398**	577	**8,439**	6,214
Cumulative results of operations, beginning of year	**36,574**	30,937	**1,055**	478	**37,629**	31,415
Cumulative results of operations, end of year	**$44,615**	$36,574	**$1,453**	$1,055	**$46,068**	$37,629

The accompanying notes are an integral part of these financial statements.
The Single-Employer Program and Multiemployer Program are separate by law.
The "Memorandum Total" data columns presented above are solely an entity-wide informational view of the PBGC's two independent insurance programs.

PENSION BENEFIT GUARANTY CORPORATION

STATEMENTS OF CASH FLOWS

(Dollars in millions)	Single-Employer Program For the Years Ended September 30, 2023	2022	Multiemployer Program For the Years Ended September 30, 2023	2022	Memorandum Total For the Years Ended September 30, 2023	2022
OPERATING ACTIVITIES:						
Premium receipts	**$4,595**	$4,434	**$347**	$331	**$4,942**	$4,765
Interest and dividends received	**3,585**	3,188	**19**	10	**3,604**	3,198
Plan Reimbursements from SFA	**-**	-	**185**	230	**185**	230
Cash received from plans upon trusteeship	**12**	36	**-**	-	**12**	36
Receipts from sponsors/non-sponsors	**76**	83	**-**	-	**76**	83
Receipts from the missing participant program	**120**	62	**-**	-	**120**	62
Other receipts	**7**	32	**-**	-	**7**	32
Benefit payments – trusteed plans	**(6,320)**	(6,884)	**-**	-	**(6,320)**	(6,884)
Traditional financial assistance payments	**-**	-	**(176)**	(226)	**(176)**	(226)
Settlements and judgments	**-**	-	**-**	-	**-**	-
Payments for administrative and other expenses	**(516)**	(576)	**(7)**	(9)	**(523)**	(585)
Accrued interest paid on securities purchased	**(168)**	(205)	**-**	(1)	**(168)**	(206)
Net cash provided (used) by operating activities (Note 15)	**1,391**	170	**368**	335	**1,759**	505
INVESTING ACTIVITIES:						
Proceeds from sales of investments	**143,640**	147,157	**464**	306	**144,104**	147,463
Payments for purchases of investments	**(140,677)**	(147,855)	**(211)**	(312)	**(140,888)**	(148,167)
Net change in investment of securities lending collateral	**2,172**	(1,564)	**-**	-	**2,172**	(1,564)
Net change in securities lending payable	**(2,172)**	1,564	**-**	-	**(2,172)**	1,564
Net cash provided (used) by investing activities	**2,963**	(698)	**253**	(6)	**3,216**	(704)
Net increase (decrease) in cash and cash equivalents	**4,354**	(528)	**621**	329	**4,975**	(199)
Cash and cash equivalents, beginning of year	**8,070**	8,598	**608**	279	**8,678**	8,877
Cash and cash equivalents, end of year	**$12,424**	$8,070	**$1,229**	$608	**$13,653**	$8,678
SPECIAL FINANCIAL ASSISTANCE:						
Appropriation warrant received for SFA	**-**	-	**70,034**	48,417	**70,034**	48,417
Return of unobligated appropriated funds	**-**	-	**(24,107)**	(40,848)	**(24,107)**	(40,848)
Total SFA administrative and payroll expense payments	**-**	-	**(16)**	(10)	**(16)**	(10)
Special financial assistance payments	**-**	-	**(45,577)**	(7,526)	**(45,577)**	(7,526)
Net increase (decrease) in restricted cash	**-**	-	**334**	33	**334**	33
Special financial assistance restricted cash, beginning of year			**35**	3	**35**	3
Special financial assistance restricted cash, end of year	**-**		**369**	36	**369**	36
Cash, cash equivalents, and restricted cash, end of year	**$12,424**	$8,070	**$1,598**	$644	**$14,022**	$8,714

The above cash flows are for trusteed plans and do not include non-trusteed plans.
The accompanying notes are an integral part of these financial statements.
The Single-Employer Program and Multiemployer Program (which includes the SFA Program) are separate by law.
The "Memorandum Total" data columns presented above are solely an entity-wide informational view of the PBGC's two independent insurance programs.
Special Financial Assistance is provided under the American Rescue Plan Act of 2021, which provides for appropriated funds to eligible SFA multiemployer plans that are transferred from the U.S. Treasury's General Fund to PBGC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE 1: ORGANIZATION AND PURPOSE

The Pension Benefit Guaranty Corporation (PBGC or the Corporation) is a federal corporation created by Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) and is subject to the provisions of the Government Corporation Control Act. Its activities are defined by ERISA, as that Act has been amended over the years. The Corporation insures the pension benefits, within statutory limits, of participants in covered single-employer and multiemployer defined benefit pension plans.

ERISA requires that PBGC programs be self-financing. ERISA provides that the U.S. Government is not liable for any obligation or liability incurred by PBGC.

On March 11, 2021, the President signed into law the American Rescue Plan (ARP) Act of 2021. ARP amended ERISA and added Section 4262, Special Financial Assistance (SFA) by the Corporation, which provides funding from the U.S. Treasury's General Fund for payments to eligible multiemployer plans covering their full plan benefits through 2051 (see MD&A discussion on page 31). An ERISA eighth fund has been established for SFA, which is the first time PBGC has an appropriated fund. PBGC received a new appropriation to cover SFA administration costs, and going forward, PBGC will receive annual transfers from the General Fund to cover both SFA payments to approved multiemployer plans and SFA administration costs. This is mandatory funding with an indefinite appropriation for a period of availability of 10 years.

For financial statement purposes, PBGC divides its business activity into two broad areas — "Underwriting Activity" and "Financial Activity" — covering both Single-Employer and Multiemployer Program segments. PBGC's underwriting activity provides financial guaranty insurance in return for insurance premiums (whether actually paid or not). Actual and expected probable losses that result from the termination of underfunded pension plans are included in this category, as are actuarial adjustments based on changes in actuarial assumptions, such as mortality. PBGC's financial activity consists of the performance of PBGC's assets and liabilities. PBGC's assets consist of premiums collected from defined benefit plan sponsors, assets from distress or PBGC-initiated terminated plans that PBGC has insured, and recoveries from the former sponsors of those terminated plans. PBGC's future benefit liabilities consist of those future benefits, under statutory limits, that PBGC has assumed following distress or PBGC-initiated terminations (also referred to as an involuntary termination). Gains and losses on PBGC's investments and changes in the value of PBGC's future benefit liabilities (e.g., actuarial charges such as changes in interest factors and expected interest) are included in "Financial Activity".

As of September 30, 2023, the Single-Employer and Multiemployer Programs reported Cumulative results of operations of $44,615 million and $1,453 million, respectively. The Single-Employer Program had assets of $130,873 million, offset by total liabilities of $86,258 million, which include total present value of future benefits (PVFB) of $73,929 million. As of September 30, 2023, the Multiemployer Program had assets of $4,046 million, offset by $2,211 million in present value of nonrecoverable future financial assistance. The Corporation has sufficient liquidity to meet its obligations to both programs for a number of years. The FY 2022 Projections Report shows that under most projection scenarios for the Multiemployer Program, the SFA provided to eligible plans under ARP likely extends the solvency of PBGC's Multiemployer Program for more than 40 years. The SFA program created by ARP is expected to enable PBGC to satisfy long-term multiemployer obligations by shoring up ongoing plans that are currently insolvent or probable to become insolvent. The result of which is a significant reduction in PBGC's liability for the total present value of nonrecoverable future financial assistance.

PBGC's $120,858 million of total investments (including cash and cash equivalents and investment income) represents the largest component of PBGC's Statements of Financial Position Memorandum Total assets of

$134,919 million at September 30, 2023. This amount of $120,858 million (as compared to investments under management of $117,031 million, as reported in section VIII Investment Activities) reflects the fact that PBGC experiences a recurring inflow of trusteed plan assets that have not yet been incorporated into the PBGC investment program. For total investments (i.e., not the investment program), cash and fixed-income securities ($105,385 million) represent 87 percent of the total investments, while equity securities ($13,389 million) represent 11 percent of total investments. Private market assets, real estate, and other investments ($2,084 million), represent 2 percent of the total investments.

SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAM EXPOSURE

PBGC's estimate of the total underfunding in single-employer plans was $25,657 million for those sponsored by companies that have credit ratings below investment grade and that PBGC classified as reasonably possible of termination, as of September 30, 2023. This is a decrease of $26,375 million from the reasonably possible exposure of $52,032 million in FY 2022. This decrease is primarily due to the increase in the interest factors used for valuing liabilities as of the measurement date. These estimates are determined using a measurement date of December 31 of the previous year (see Note 9). For FY 2023, this exposure is concentrated in the following sectors: manufacturing, transportation/communications/utilities, and services.

PBGC estimates that as of September 30, 2023, it is reasonably possible that multiemployer plans may require future financial assistance in the amount of $410 million (see Note 9). This is a decrease of $1,808 million from the reasonably possible exposure of $2,218 million in FY 2022. The primary reason for the decrease in exposure was a net decrease in the number of plans classified as reasonably possible to seven plans at September 30, 2023, down from 12 plans classified as reasonably possible at September 30, 2022. The plans removed no longer meet the reasonably possible criteria as the plans experienced improved financial conditions due to better than expected investment returns, higher discount rates in valuing liabilities, and higher plan contributions. One of the plans was removed since it is eligible for SFA. Additionally, the reasonably possible aggregate reserve for small plans decreased by $390 million due to improved financial conditions of the plans, higher discount rates in valuing liabilities and a change in the small plan bulk reserve estimation methodology. The number of small plans projected to become insolvent within 20 years decreased from 55 to 41.

There is significant volatility in plan underfunding and sponsor credit quality over time, which makes long-term estimation of PBGC's expected claims difficult. This volatility, along with the concentration of claims in a relatively small number of terminated plans, has characterized PBGC's experience to date and will likely continue. Among the factors that will influence PBGC's claims going forward are economic conditions affecting interest rates, financial markets, and the rate of business failures.

PBGC's sources of information on plan underfunding are the most recent Section 4010 and PBGC premium filings and other submissions to the Corporation. PBGC publishes Table S-49, "Various Measures of Underfunding in PBGC-Insured Plans," in its Pension Insurance Data Tables where the limitations of the estimates are appropriately described.

Under the Single-Employer Program, PBGC is liable for the payment of guaranteed benefits with respect to underfunded terminated plans. An underfunded plan may terminate only if PBGC or a bankruptcy court finds that one of the four conditions for a distress termination, as defined in ERISA, is met or if PBGC initiates terminating a plan under one of five specified statutory tests. The net liability assumed by PBGC is generally equal to the present value of the future benefits payable by PBGC less amounts provided by the plan's assets and amounts recoverable by PBGC from the plan sponsor and members of the plan sponsor's controlled group, as defined by ERISA.

Under the Multiemployer Program, if a plan becomes insolvent, it receives traditional financial assistance from PBGC to allow the plan to continue to pay participants their guaranteed benefits. PBGC recognizes assistance as a loss to the extent that the plan is not expected to be able to repay these amounts from future plan contributions, employer withdrawal liability or investment earnings. Since multiemployer plans do not receive traditional financial assistance until fully insolvent, the assistance is almost never repaid unless the plan is approved for SFA. For this reason, such assistance is fully reserved for plans not eligible for SFA.

The ARP created a new Special Financial Assistance (SFA) Program for multiemployer plans that meet certain criteria (see Note 7), for which PBGC will receive appropriated funds. Unlike the traditional financial assistance PBGC provides to multiemployer plans in the form of a loan, the SFA is provided via a transfer of funds with no obligation of repayment.

PBGC reports appropriated funds as Restricted Cash on the Statements of Financial Position and report income, expenses, and liabilities related to special financial assistance as separate line items on its Statements of Operations and Statements of Financial Position.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of the financial statements, in conformity with U.S. GAAP, requires PBGC to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual results could differ from those estimates.

RECENT ACCOUNTING DEVELOPMENTS

The American Rescue Plan (ARP) Act of 2021, created a program to provide SFA to financially troubled multiemployer plans. This new SFA Program is financed by an appropriation from the General Fund and the funds transferred to PBGC in the SFA appropriation are deemed a contribution from the US Government to PBGC. In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, "Not-for-Profit Entities" (ASC 958) which clarifies the guidance for contributions received and made. The amendments in this ASU, applicable to all entities, clarify and improve the scope and the accounting guidance for contributions received and contributions made. PBGC applies the guidance in this ASU to account for the SFA contributions as a nonreciprocal transaction to recognize revenue with donor restrictions. The funds transferred to PBGC in the SFA appropriations are deemed a contribution from the US Government to PBGC. PBGC applies specific contribution guidance in Accounting Standards Codification 958, Not-for-Profit Entities - Revenue Recognition-Contributions, to recognize revenue and expenses related to the SFA Program.

In March 2020 and January 2021, the FASB issued ASUs 2020-04 and ASU 2021-01, respectively, "Reference Rate Reform" (ASC 848). ASC 848 provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. Topic 848 provides optional expedients and exceptions for applying U.S. GAAP to transactions affected by reference rate reform if certain criteria are met. In December 2022, the FASB issued ASU 2022-06 which deferred the end date of the temporary guidance in ASC 848, Reference Rate Reform, from December 31, 2022, to December 31, 2024. Topic 848 was effective for PBGC beginning on March 12, 2020, and PBGC will apply the amendments prospectively through December 31, 2024. PBGC assessed the impact of adopting these ASUs and concluded there was no material impact on PBGC's financial statements.

In February 2016, the FASB issued ASU 2016-02, "Lease (ASC 842)." Under the new standard, PBGC is required to recognize in its Statements of Financial Position (balance sheet), a right-of-use (ROU) asset, representing the right to use the underlying asset for the lease term, and a lease liability, representing the liability to make lease payments, adjusted for lease payments made at or before lease commencement, lease incentives, and any initial direct costs, for leases longer than one year. In addition, this ASU requires expanded disclosures about the nature and terms of lease agreements. This standard is effective for fiscal year beginning after December 15, 2021, and to interim periods beginning after December 15, 2022. PBGC has evaluated the impact of this guidance and updated its policy in accordance with ASC 842 upon adoption in FY 2023. As an all other entity under FASB, PBGC applied the new lease standard at PBGC's adoption date of October 1, 2022. PBGC elected the option not to restate comparative financial statements under the modified retrospective approach and instead recognize a cumulative-effect adjustment at the beginning of FY 2023. Additionally, PBGC elected to apply the practical expedients to account for lease and non-lease components as a single lease component, and to use the risk-free rate in determining the lease ROU asset and liability. PBGC has also elected to expense short term leases and not recognize an ROU asset and lease liability for leases with a duration of 12 months or less.

Effective FY 2023, PBGC updated its methodology in calculating Present Value of Nonrecoverable Future Financial Assistance for small-sized multiemployer plans. Previously, PBGC calculated small plan probables using a seven-year historic ratio of new plan terminations or insolvencies to the total unfunded liability for small plans in a given year. The ratio was then applied to the current unfunded liability for small plans to calculate the probable exposure. Under the new methodology, PBGC will calculate the standardized projected Date of Insolvency (DOI) for high risk small-sized plans. If the projected DOI is within 20 years of the PBGC financial statement date, actuarial calculations are performed on a plan-by-plan basis for nonrecoverable future financial assistance, utilizing certain generalized assumptions that are appropriate for a bulk reserve. This updated methodology classifies the financial obligations for these plans into the categories based on their projected DOI as follows:

- Within 10 years are classified as probable.
- From 10 to 20 years are classified as reasonably possible.
- Greater than 20 years is classified as remote.

The adoption of this methodology aims to standardize and refine the projection and classification of financial obligations within the Multiemployer Program (see Note 7).

VALUATION METHOD

A key objective of PBGC's financial statements is to provide information that is useful in assessing PBGC's present and future ability to ensure that its plan beneficiaries receive benefits when due. Accordingly, PBGC values its financial assets at estimated fair value, consistent with the standards for pension plans contained in the FASB Accounting Standards Codification Section 960, *Defined Benefit Pension Plans*. PBGC values its liabilities at the present value of future benefits and present value of nonrecoverable future financial assistance using assumptions derived from market-based (fair value) annuity prices from insurance companies, as described in the Statement of Actuarial Opinion. As described in ASC 960, the assumptions are "those assumptions that are inherent in the estimated cost at the (valuation) date to obtain a contract with an insurance company to provide participants with their accumulated plan benefit." Also, in accordance with ASC 960, PBGC selects assumptions for expected retirement ages and the cost of administrative expenses in accordance with its best estimate of anticipated experience.

The FASB Accounting Standards Codification Section 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and expands disclosures about fair value measurements. ASC 820 applies to accounting pronouncements that require or permit fair value measurements.

Furthermore, PBGC previously implemented FASB Accounting Standards Codification 820, Fair Value Measurements and Disclosures guidance related to financial statement note disclosures for certain non-Level 1 Net Asset Value (NAV) investments that use a "practical expedient" (i.e., priced without any adjustments – see FASB Updates 2015-07 and 2018-13). Level 1 NAV investments are not affected by the FASB guidance since these investments are fair value priced using quoted prices in active markets (market exchanges); however, Level 2 and Level 3 NAV investments use valuation pricing (observable for Level 2, and not observable for Level 3) for which the FASB now requires additional disclosure if the practical expedient is used. Non-Level 1 NAV investments that use the practical expedient are displayed in a NAV only category and are removed from their Level 2 or Level 3 category and added to the new exclusive NAV only category. The fair value table affected by this guidance is found in PBGC Financial Statements Note 5, Fair Value Measurements.

REVOLVING AND TRUST FUNDS

PBGC accounts for its Single-Employer and Multiemployer Programs' revolving and trust funds on an accrual basis. Each fund is charged its portion of the benefits paid each year. PBGC includes totals for the revolving and trust funds for presentation purposes in the financial statements; however, the Single-Employer and Multiemployer Programs are separate programs by law and, therefore, PBGC also reports them separately.

ERISA provides for the establishment of the revolving fund where premiums are collected and held. The assets in the revolving fund are used to cover deficits incurred by trusteed plans and to provide funds for traditional financial assistance. The Pension Protection Act of 1987 created a single-employer revolving fund (Fund 7) that is credited with all premiums in excess of $8.50 per participant, including all penalties and interest charged on these amounts, and its share of earnings from investments. This fund may not be used to pay PBGC's administrative costs or the benefits of any plan terminated prior to October 1, 1988, unless no other amounts are available.

The trust fund includes assets (e.g., pension plan investments) PBGC assumes (or expects to assume) once a terminated plan has been trusteed, and related investment income. These assets generally are held by custodian banks. The trust fund supports the operational functions of PBGC.

The trust fund reflects accounting activity associated with:

1) Trusteed plans (plans for which PBGC has legal responsibility). The assets and liabilities are reflected separately on PBGC's Statements of Financial Position, the income and expenses are included in the Statements of Operations, and the cash flows from these plans are included in the Statements of Cash Flows.

2) Plans pending termination and trusteeship (plans for which PBGC has begun the process for termination and trusteeship by fiscal year-end). The assets and liabilities for these plans are reported as a net amount on the Liabilities section of the Statements of Financial Position under "Present value of future benefits, net." For these plans, the income and expenses are included in the Statements of Operations, but the cash flows are not included in the Statements of Cash Flows.

3) Probable terminations (plans that PBGC determines are likely to terminate and be trusteed by PBGC). The assets and liabilities for these plans are reported as a net amount on the Liabilities section of the Statements of Financial Position under "Present value of future benefits, net." The accrued loss from these plans is included in the Statements of Operations as part of "Losses (credits) from completed and probable terminations." The cash flows from these plans are not included in the Statements of Cash Flows. PBGC cannot exercise legal control over a plan's assets until it becomes the trustee.

ALLOCATION OF REVOLVING AND TRUST FUNDS

PBGC allocates assets, liabilities, income, and expenses to the Single-Employer and Multiemployer Programs' revolving and trust funds to the extent that such amounts are not directly attributable to a specific fund. Revolving fund investment income is allocated on the basis of each program's average cash and investments available during the year. For the administrative expenses, see the Administrative Expense section further below in Note 2. Revolving fund assets and liabilities are allocated according to the year-end equity of each program's revolving fund. Plan assets acquired by PBGC and commingled at PBGC's custodian bank are credited directly to the appropriate fund, while the earnings and expenses on the commingled assets are allocated to each program's trust fund on the basis of each trust fund's value, relative to the total value of the commingled fund.

CASH AND CASH EQUIVALENTS

"Cash" includes cash on hand and demand deposits. "Cash equivalents" are investments with original maturities of one business day or highly liquid investments that are readily convertible into cash within one business day.

SECURITIES LENDING COLLATERAL

PBGC participates in a securities lending program administered by its custodian bank. The custodian bank requires collateral that equals 102 to 105 percent of the value of the securities lent. The collateral is held by the custodian bank. The custodian bank either receives cash or non-cash as collateral or returns collateral to cover mark-to-market changes. Any cash collateral received is invested by PBGC's investment agent. In addition to the lending program managed by the custodian bank, some of PBGC's investment managers are authorized to invest in securities purchased under resale agreements (an agreement with a commitment by the seller to buy a security back from the purchaser at a specified price at a designated future date), and securities sold under repurchase agreements.

INVESTMENT VALUATION AND INCOME

PBGC bases market values on the last sale of a listed security, on the mean of the "bid-and-ask" for non-listed securities, or on a valuation model in the case of fixed income securities that are not actively traded. These valuations are determined as of the end of each fiscal year. Purchases and sales of securities are recorded on the trade date. In addition, PBGC invests in and discloses its derivative investments in accordance with the guidance contained in the FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*. Investment income is accrued as earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses on sales of investments are calculated using first-in, first-out for the revolving fund and weighted average cost for the trust fund. PBGC marks the plan's assets to market, and any increase or decrease in the market value of a plan's assets occurring after the date on which the plan is terminated must, by law, be credited to or suffered by PBGC.

SECURITIES PURCHASED UNDER REPURCHASE AGREEMENTS

PBGC's investment managers purchase securities under repurchase agreements, whereby the seller will buy the security back at a pre-agreed price and date. Those that mature in more than one day are reported under "Fixed maturity securities" as "Securities purchased under repurchase agreements" in the Note 3 table entitled "Investments of Single-Employer Revolving Funds and Single-Employer Trusteed Plans." Repurchase agreements that mature in one day are included in "Cash and cash equivalents," which are reported on the Statements of Financial Position. Refer to Note 3 for further information regarding repurchase agreements.

SPONSORS OF TERMINATED PLANS

The amounts due from sponsors of terminated plans or members of their controlled group represent the settled, but uncollected, claims for sponsors' employer liability (underfunding as of date of plan termination) and for contributions due their plan less an allowance for estimated uncollectible amounts. PBGC discounts any amounts expected to be received beyond one year for time and risk factors. Some agreements between PBGC and plan sponsors provide for contingent payments based on future profits of the sponsors. The Corporation reports any such future amounts in the period they are realizable. Income and expenses related to amounts due from sponsors are reported in the Underwriting section of the Statements of Operations. Interest earned on settled claims for sponsors' employer liability (EL) and due and unpaid employer contributions (DUEC) is reported as "Income: Other." The change in the allowances for uncollectible EL and DUEC is reported as "Expenses: Other."

PREMIUMS

Premiums receivable represents (1) the plan reported premiums owed, (2) PBGC estimated amounts on filings not yet due and (3) submitted and past due premiums deemed collectible, including penalties and interest. The liability for unearned premiums represents annual premium fees that have been received in advance of the period in which they will be earned by PBGC. They remain as liabilities until they are ratably earned over the period of time to which the premium applies. "Premium income, net" represents actual and estimated revenue generated from defined benefit pension plan premium filings as required by Title IV of ERISA less bad debt expense for premiums, interest, and penalties. For insolvent multiemployer plans, bad debt expense also includes a reserve for premium payments waived by PBGC and treated as financial assistance in accordance with ERISA Section 4007 (see Note 11).

CAPITALIZED ASSETS

Capitalized assets include furniture and fixtures, electronic processing equipment, internal-use software, and lease right-of-use assets. This includes costs for internally developed software incurred during the application development stage (system design including software configuration and software interface, coding, and testing). These costs are shown net of accumulated depreciation and amortization. See Note 16, Other Assets, for further details.

PRESENT VALUE OF FUTURE BENEFITS (PVFB)

The PVFB is the estimated liability for future pension benefits that PBGC is or will be obligated to pay the participants of trusteed plans and the net liability for plans pending termination and trusteeship. The PVFB liability (including trusteed plans and plans pending termination and trusteeship) is stated as the actuarial present value of estimated future benefits less the present value of estimated recoveries from sponsors and members of their controlled group and the assets of plans pending termination and trusteeship as of the date of the financial statements. PBGC also includes the estimated liabilities attributable to plans classified as probable terminations as a separate line item in the PVFB (net of estimated recoveries and plan assets). PBGC uses assumptions to adjust the value of those future payments to reflect the time value of money (by discounting) and the probability of payment (by means of decrements, such as for death or retirement). PBGC also includes anticipated expenses to settle the benefit obligation in the determination of the PVFB. PBGC's benefit payments to participants reduce the PVFB liability.

The values of the PVFB are particularly sensitive to changes in underlying estimates and assumptions. These estimates and assumptions could change and the impact of these changes may be material to PBGC's financial statements (see Note 6).

PVFB is reported as follows:

(1) Trusteed Plans: Represents the present value of future benefit payments less the present value of expected recoveries (for which a settlement agreement has not been reached with sponsors and members of their controlled group) for plans that have terminated and been trusteed by PBGC prior to fiscal year-end. Assets are shown separately from liabilities for trusteed plans. PBGC's liability under the expanded Missing Participants Program is included in this category. Under this program that began in FY 2018, most terminated defined contribution plans, small professional service pension plans, and multiemployer plans can now transfer the benefits of missing participants to PBGC. Previously, the program covered only insured single-employer defined benefit plans terminating in a standard termination.

(2) Pending Termination and Trusteeship: Represents the present value of future benefit payments less the plans' net assets (at fair value) anticipated to be received and the present value of expected recoveries (for which a settlement agreement has not been reached with sponsors and members of their controlled group) for plans for which termination action has been initiated and/or completed prior to fiscal year-end. Unlike trusteed plans, the liability for plans pending termination and trusteeship is shown net of plan assets.

(3) Settlements and Judgments: Represents estimated liabilities related to settled litigation (see Note 6).

(4) Net Claims for Probable Terminations: In accordance with the FASB Accounting Standards Codification Section 450, *Contingencies*, PBGC recognizes net claims for probable terminations which represent PBGC's best estimate of the losses, net of plan assets, and the present value of expected recoveries (from sponsors and members of their controlled group) for plans that are likely to terminate in the future. Under a specific identification process, PBGC evaluates each controlled group having $50 million or more of underfunding and recognizes a contingent loss for the estimated net claim of those plans meeting the probable termination criteria. These estimated losses are based on conditions that existed as of PBGC's fiscal year-end. PBGC believes it is likely that one or more events subsequent to the fiscal year-end will occur, confirming the loss.

Criteria used for classifying a specific single-employer plan as a probable termination include, but are not limited to, one or more of the following conditions: the plan sponsor is in liquidation or comparable state insolvency proceeding with no known solvent controlled group member; the sponsor has filed or intends to file for distress plan termination and the criteria will likely be met; or PBGC is considering initiating plan termination. In addition, PBGC takes into account other economic events and factors in making judgments regarding the classification of a plan as a probable termination. These events and factors may include, but are not limited to, the following: the plan sponsor is in bankruptcy or has indicated that a bankruptcy filing is imminent; the plan sponsor has stated that plan termination is likely; the plan sponsor has received a going concern opinion from its independent auditors; or the plan sponsor is in default under existing credit agreement(s).

In addition, a reserve for small unidentified probable losses is recorded for the estimated future contingent losses stemming from insured single-employer plans with an aggregate underfunding of less than $50 million. The reserve is based on the historical three-year rolling average of losses related to actual plan terminations (with an aggregate underfunding of less than $50 million) and indexed to the S&P 500 to reflect changes in economic conditions. See Note 6 for further information on Net Claims for Probable Terminations.

PBGC identifies certain plan sponsors as high risk if the plan sponsor is in Chapter 11 proceedings or the sponsor's senior unsecured debt is rated CCC+/Caa1 or lower by S&P or Moody's, respectively. PBGC specifically reviews each plan sponsor identified as high risk and classifies pension plans as probable if, based on available evidence, PBGC concludes that plan termination is likely (based on criteria described in (4) above). Otherwise, high risk plan sponsors are classified as reasonably possible.

In accordance with the FASB Accounting Standards Codification Section 450, *Contingencies*, PBGC's exposure to losses from plans of companies that are classified as reasonably possible is disclosed in the footnotes. In order for a plan sponsor to be specifically classified as reasonably possible, it must first have $50 million or more of underfunding, as well as meet additional criteria. Criteria used for classifying a company as reasonably possible include, but are not limited to, one or more of the following conditions: the plan sponsor is in Chapter 11 reorganization; a funding waiver is pending or outstanding with the Internal Revenue Service (IRS); the sponsor missed a minimum funding contribution; the sponsor's bond rating is below investment-grade for Standard & Poor's (BB+) or Moody's (Ba1); or the sponsor has no bond rating but the Dun & Bradstreet Failure Score (formerly Financial Stress Score) is below the threshold considered to be investment grade (see Note 9).

PRESENT VALUE OF NONRECOVERABLE FUTURE FINANCIAL ASSISTANCE (PVNFFA)

In accordance with Title IV of ERISA, PBGC provides traditional financial assistance to multiemployer plans, in the form of loans, to enable the plans to pay guaranteed benefits to participants and reasonable administrative expenses of the plan. These loans, issued in exchange for interest-bearing promissory notes, constitute an obligation of each plan.

The present value of nonrecoverable future financial assistance represents the estimated nonrecoverable payments to be provided by PBGC in the future to multiemployer plans that will not be able to meet their benefit obligations. The present value of nonrecoverable future financial assistance is based on the difference between the present value of future guaranteed benefits and expenses and the market value of plan assets, including the present value of future amounts expected to be paid by employers, for those plans that are expected to require future assistance. The amount reflects the rates at which, in the opinion of PBGC, these liabilities (net of expenses) could be settled in the market for single-premium nonparticipating group annuities issued by private insurers (see Note 7).

A liability for a particular plan is included in the "Present Value of Nonrecoverable Future Financial Assistance" when it is determined that the plan is currently, or will likely become in the future, insolvent and will require assistance to pay the participants their guaranteed benefits. In accordance with the FASB Accounting Standards Codification Section 450, *Contingencies*, PBGC recognizes net claims for probable insolvencies for plans that are likely to become insolvent and may require future financial assistance. Projecting a future insolvency requires considering several complex factors, such as an estimate of future cash flows, future mortality rates, and age of participants not in pay status.

Each year, PBGC analyzes insured multiemployer plans to identify plans that are at risk of becoming probable and reasonably possible claims on the insurance program. Regulatory filings with PBGC, IRS, and DOL are important to this analysis and determination of risk, especially the designation of critical and declining status, which means the plan is projecting insolvency within 15-20 years. In general, if a terminated plan's assets are less than the present value of its liabilities, PBGC considers the plan a probable risk of requiring financial assistance in the future.

PBGC uses specific criteria for classifying multiemployer plans as insolvent (PBGC's insurable event for multiemployer plans), probable, and reasonably possible. The criteria are as follows:

- Any multiemployer plans currently receiving traditional financial assistance are classified as insolvent.
- Terminated, underfunded multiemployer plans (i.e., "wasting trusts") are classified as probable.
- Ongoing multiemployer plans projected to become insolvent:
    - Within 10 years are classified as probable.
    - From 10 to 20 years are classified as reasonably possible.

In general, the date of insolvency is estimated by projecting plan cash flows using actuarial assumptions. PBGC uses information provided by the plan actuary for assumptions such as termination of employment rates, retirement rates, average ages, the plan's schedule of future withdrawal liability payments owed, and contributions. PBGC uses assumptions set by PBGC for purposes of projecting returns on plan assets, future contributions, future withdrawal liability payments, plan expenses, mortality rates, and guaranteed benefits.

In addition, a bulk reserve method is employed to estimate future contingent losses for small multiemployer plans with fewer than 2,500 participants. Probable losses for plans are accrued, and reasonably possible losses are disclosed. This small plan bulk reserve uses an aggregate method to estimate liability and exposure, rather than reviewing each plan individually. In FY 2023, PBGC updated its methodology for determining the probable liability for small-sized multiemployer plans, aligning it with the current method used for medium-sized plans. Effective FY 2023, PBGC will calculate the standardized projected Date of Insolvency (DOI) for high risk small-sized plans. If the projected DOI is within 20 years of the PBGC financial statement date, actuarial calculations are performed on a plan-by-plan basis for nonrecoverable future financial assistance, utilizing certain generalized assumptions that are appropriate for a bulk reserve. This updated methodology classifies the financial obligations for these plans into the categories based on their projected DOI as follows:

- Within 10 years are classified as probable.
- From 10 to 20 years are classified as reasonably possible.
- Greater than 20 years is classified as remote.

MPRA provides that certain plans may apply to the U.S. Treasury to suspend benefits, and provides for a participant vote on the benefit suspension. These plans also may apply to PBGC for financial assistance, either for a facilitated merger or for a partition. Plans applying for a partition are also required to apply to U.S. Treasury for a suspension of benefits. These actions do not affect the determination of the nonrecoverable future financial assistance liability until U.S. Treasury has issued the final authorization to suspend benefits in the case of a benefit suspension application, or until PBGC has approved the application for financial assistance, in the case of a facilitated merger or a partition request.

The present value of nonrecoverable future financial assistance is presented in the Liability section of the Statements of Financial Position (see Note 7).

ADMINISTRATIVE EXPENSES

These operating expenses (for either the Single-Employer or Multiemployer Programs) are amounts paid and accrued for services rendered or while carrying out other activities that constitute PBGC's ongoing operations (e.g., payroll, contractual services, office space, materials, and supplies). An expense allocation methodology is used to fully capture the administrative expenses attributable to either the Single-Employer or Multiemployer Programs.

For the year-ending September 30, 2023, the Administrative Expense Reimbursement Ratio is determined to be the most representative methodology to allocate actual indirect administrative expenses, as well as to record the actual direct expenses attributable to the Single-Employer and Multiemployer Programs. The Administrative Expense Reimbursement Ratio calculates the ratios of direct administrative expenses for both the Single-Employer and Multiemployer Programs over the total direct administrative expenses. These ratios are then used to allocate the indirect administrative expenses for both the Single-Employer and Multiemployer Programs. This is PBGC's change in estimate based on the updated methodology for allocating administrative expenses. Prior to September 30, 2021, the Single-Employer and Multiemployer Ongoing Plans Expense Ratio was calculated to allocate administrative expenses between the Single-Employer Program and the Multiemployer Program.

OTHER EXPENSES

These expenses represent an estimate of the net amount of receivables deemed uncollectible during the period. The estimate is based on the most recent status of the debtor (e.g., sponsor), the age of the receivables and other factors that indicate to what degree the receivables outstanding may be uncollectible.

LOSSES FROM COMPLETED AND PROBABLE TERMINATIONS

Amounts reported as losses from completed and probable terminations represent the difference as of the actual or expected date of plan termination (DOPT) between the present value of future benefits (including amounts owed under Section 4022(c) of ERISA) assumed, or expected to be assumed, by PBGC, less related plan assets, and the present value of expected recoveries from sponsors and members of their controlled group (see Note 12). When a plan terminates, the previously recorded probable net claim is reversed and newly estimated DOPT plan assets, recoveries, and PVFB are netted and reported on the line "PVFB - Plans pending termination and trusteeship" (this value is usually different from the amount previously reported), with any change in the estimate recorded in the Statements of Operations. In addition, the plan's net income from DOPT to the beginning of PBGC's fiscal year is included as a component of losses from completed and probable terminations for plans with termination dates prior to the year in which they were added to PBGC's inventory of terminated plans.

ACTUARIAL ADJUSTMENTS AND CHARGES (CREDITS)

PBGC classifies actuarial adjustments related to insurance-based changes in method and the effect of experience as underwriting activity; actuarial adjustments are the result of the movement of plans from one valuation methodology to another, e.g., non-seriatim (calculating the liability for the group) to seriatim (calculating a separate liability for each person), and of new updated data (e.g., deaths, revised participant data). Actuarial charges (credits) are related to changes in interest factors, and expected interest is classified as financial activity. These adjustments and charges (credits) represent the change in the PVFB that results from applying actuarial assumptions in the calculation of future benefit liabilities (see Note 6).

DEPRECIATION AND AMORTIZATION

PBGC calculates depreciation on the straight-line basis over estimated useful lives of five years for equipment and ten years for furniture and fixtures. PBGC calculates amortization for capitalized software, which includes certain costs incurred for purchasing and developing software for internal use, on the straight-line basis over estimated useful lives not to exceed five years, commencing on the date that the Corporation determines that the internal-use software is implemented. Routine maintenance and leasehold improvements (the amounts of which are not material) are charged to operations as incurred. Capitalization of software cost occurs during the development stage, and costs incurred during the preliminary project and post-implementation stages are expensed as incurred. See Note 16, Other Assets, for further details.

SPECIAL FINANCIAL ASSISTANCE

ARP established the SFA Program that provides that certain multiemployer plans may apply to PBGC to receive SFA funding. The SFA liability will be recorded when the following conditions are met: (1) the initial application for SFA has been received by PBGC, (2) the multiemployer plan applicant has been determined to be eligible, (3) the application has been deemed to be complete, and (4) the application has been approved. Upon approval of the application, SFA will be paid in a timely manner by PBGC. Unlike the traditional financial assistance loans PBGC provides to multiemployer plans, SFA will be in the form of a transfer of funds with no obligation to repay. No SFA transfers may be made after September 30, 2030.

PBGC applies specific contribution guidance in ASC 958-605, *Not-for-Profit Entities*, to recognize revenue from the U.S. Treasury General Fund appropriations related to the SFA Program. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. Conditional contributions received are classified as Contributed Transfer Appropriation. Once the barriers to entitlement are overcome (i.e., approval of an SFA application), the contribution is recognized as unconditional and classified as Contributed Transfer Appropriation Income.

The SFA Program provides PBGC appropriated SFA funds (outside the revolving fund) to cover assistance to eligible multiemployer plans and PBGC's SFA administrative expenses. Unlike traditional financial assistance which PBGC provides to multiemployer plans in the form of a loan, SFA will be provided via a transfer of funds with no obligation of repayment. At the end of each fiscal year, any unused (i.e., unobligated) appropriated SFA funds must be returned to the U.S. Treasury General Fund.

NOTE 3: INVESTMENTS

Premium receipts are invested through the revolving fund in U.S. Treasury securities. The trust funds include assets that PBGC assumes or expects to assume with respect to terminated plans (e.g., recoveries from sponsors) and investment income thereon. These assets generally are held by custodian banks. The basis and market value of the investments by type are detailed below, as well as related investment profile data. The basis indicated is the cost of the asset if assumed after the date of plan termination or the market value at date of plan termination if the asset was assumed as a result of a plan's termination. PBGC marks the plan's assets to market, and any increase or decrease in the market value of a plan's assets occurring after the date on which the plan is terminated must, by law, be credited to or suffered by PBGC. Investment securities denominated in foreign currency are translated into U.S. dollars at the prevailing exchange rates at period ending September 30, 2023. Purchases and sales of investment securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of the transactions. The portfolio does not isolate that portion of the results of operations resulting from changes in foreign exchange rates of investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments. For PBGC's securities, unrealized holding gains and losses are both recognized by including them in earnings. Unrealized holding gains and losses measure the total change in fair value — consisting of unpaid interest income earned or unpaid accrued dividend and the remaining change in fair value from holding the security.

To Be Announced (TBA) and Bond Forward transactions are recorded as regular buys and sells of investments and not as derivatives. TBA is a contract for the purchase or sale of mortgage-backed securities to be delivered on a future date. The term TBA is derived from the fact that the actual mortgage-backed security that will be delivered to fulfill a TBA trade is not designated at the time the trade is made. The securities are to be announced 48 hours prior to the established trade settlement date. TBAs are issued by the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and Government National Mortgage Association (GNMA). In accordance with FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*, TBA and Bond Forward contracts are deemed regular way trades as they are completed within the time frame generally established by regulations and conventions in the marketplace or by the exchange on which they are executed. Thus, recording of TBA and Bond Forward contracts recognizes the acquisition or disposition of the securities at the full contract amounts on day one of the trade.

Bond Forwards are reported to "Receivables, net – Sale of securities", and "Due for purchases of securities"; TBAs are reported to "Receivables, net – Sale of securities", "Due for purchases of securities", and "Fixed maturity securities" from derivative contracts receivables and payables. As of September 30, 2023, TBA receivables were $1,184 million and no Bond Forward receivables were reported. In addition, as of September 30, 2023, TBA payables were $3,936 million and no Bond Forward payables were reported.

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

	September 30, 2023			September 30, 2022	
(Dollars in millions)	**Basis**	**Market Value**		Basis	Market Value
Fixed maturity securities:					
U.S. Government securities	**$62,443**	**$52,166**		$64,326	$54,831
Commercial paper/securities purchased under repurchase agreements	**354**	**354**		-	-
Asset backed securities	**12,753**	**11,629**		10,715	9,684
Pooled funds					
Domestic	**1,882**	**1,306**		3,000	2,246
International	**0** *	**0** *		-	-
Global/other	**1**	**1**		2	2
Corporate bonds and other	**20,073**	**17,176**		22,110	18,295
International securities	**7,047**	**6,248**		7,281	5,911
Subtotal	**104,553**	**88,880**		107,434	90,969
Equity securities:					
Domestic	**832**	**879**		91	105
International	**2,481**	**2,618**		3,056	2,632
Pooled funds					
Domestic	**3,426**	**7,239**		3,612	6,701
International	**1,538**	**2,616**		2,106	3,049
Global/other	**22**	**22**		22	22
Subtotal	**8,299**	**13,374**		8,887	12,509
Private equity	**1,101**	**195**		1,115	242
Real estate and real estate investment trusts	**1,865**	**1,613**		1,712	1,502
Insurance contracts and other investments	**107**	**277**		67	282
Total[1]	**$115,925**	**$104,339**	2	$119,215	$105,504

* Less than $500,000

[1] Total includes securities on loan at September 30, 2023, and September 30, 2022, with a market value of $7,409 million and $5,195 million, respectively.

[2] This total of $104,339 million of investments at market value represents the single-employer assets only.

INVESTMENTS OF MULTIEMPLOYER REVOLVING FUNDS AND MULTIEMPLOYER TRUSTEED PLANS

	September 30, 2023		September 30, 2022	
(Dollars in millions)	**Basis**	**Market Value**	Basis	Market Value
Investment securities:				
Fixed U.S. Government securities	**$2,734**	**$2,161**	$2,696	$2,439
Equity securities	**-**	**-**	-	-
Total	**$2,734**	**$2,161**	$2,696	$2,439

INVESTMENT PROFILE

	September 30,	
	2023	2022
Fixed Income Assets		
Average Quality	**AA-**	AA
Average Maturity (years)	**10.4**	10.7
Duration (years)	**5.9**	7.2
Yield to Maturity (%)	**5.5**	4.8
Equity Assets		
Average Price/Earnings Ratio	**20.6**	18.3
Dividend Yield (%)	**2.4**	2.8
Beta	**1.0**	1.0

DERIVATIVE INSTRUMENTS

PBGC assigns investment discretion and grants specific authority to all of its investment managers to invest according to specific portfolio investment guidelines the Corporation has established. PBGC further limits the use of derivatives by investment managers through tailored provisions in the investment guidelines with investment managers consistent with PBGC's investment policy statement and overall risk tolerance. These investment managers, who act as fiduciaries to PBGC, determine when it may or may not be appropriate to utilize derivatives in the portfolio(s) for which they are responsible. Investments in derivatives carry many of the same risks of the underlying instruments and carry additional risks that are not associated with direct investments in the securities underlying the derivatives.

Risks may arise from the potential inability to terminate or sell derivative positions, although derivative instruments are generally more liquid than physical market instruments. A liquid secondary market may not always exist for certain derivative positions. Over-the-counter derivative instruments also involve counterparty risk that the other party to the derivative instrument will not meet its obligations.

The use of derivatives in the PBGC investment portfolio is also further restricted insofar as they may not be used to create leverage in the portfolio. Thus, derivatives are not permitted to be utilized to leverage the portfolio beyond the maximum risk level associated with a fully invested portfolio of physical securities.

Derivative instruments are used to mitigate risk (e.g., adjust duration or currency exposures), enhance investment returns, and/or as liquid and cost-efficient substitutes for positions in physical securities. These derivative instruments are not designated as accounting hedges consistent with FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*, which requires an active designation as a prerequisite for any hedge accounting. PBGC uses a no-hedging designation, which results in the gain or loss on a derivative instrument to be recognized currently in earnings. Derivatives are accounted for at fair value in accordance with the FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*. Derivatives are marked to market with changes in value reported as a component of financial income on the Statements of Operations. PBGC presents all derivatives at fair value on the Statements of Financial Position.

PBGC's investment managers invested in investment products that used various U.S. and non-U.S. derivative instruments. Those products included, but are not limited to: index futures; options; money market futures; government bond futures; interest rate, credit default, and total return swaps and swaption (an option on a swap) contracts; stock warrants and rights; debt option contracts; and foreign currency futures, forward, and option contracts. Some of these derivatives are traded on organized exchanges and thus bear minimal counterparty risk. The counterparties to PBGC's non-exchange-traded derivative contracts are major financial institutions subject to ISDA (International Swaps and Derivatives Association, Inc.) master agreements or IFEMAs (International Foreign Exchange Master Agreements) and minimum credit ratings required by investment guidelines. PBGC monitors PBGC's counterparty risk and exchanges collateral under most contracts to further support performance by counterparties. Required margin (collateral) for exchange traded and non-exchange traded centrally cleared derivatives is maintained by a clearinghouse to support the performance by counterparties, which are members of the clearinghouse, and collateral is exchanged directly with counterparties for non-exchange traded non-centrally cleared derivatives. A clearinghouse reduces the settlement risks by netting offsetting transactions between multiple counterparties and by requiring higher levels of collateral deposits or margin requirements compared to bilateral arrangements. Settlement risks are also reduced by the clearinghouse providing independent valuation of trades and margin, monitoring the credit worthiness of the clearing firms, and providing a guarantee fund, which could be used to cover losses that exceed a defaulting clearing firm's margin on deposit.

A futures contract is an agreement between a buyer or seller and an established futures exchange clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date) in the future. The futures exchanges and clearinghouses clear, settle, and guarantee transactions occurring through their facilities. Upon entering into a futures contract, an "initial margin" amount (in cash or liquid securities) of generally 1 to 6 percent of the face value indicated in the futures contract is required to be deposited with the broker. Open futures positions are marked to market daily. Subsequent payments known as "variation margin" are made or received by the portfolio dependent upon the daily fluctuations in value of the underlying contract. PBGC maintains adequate liquidity in its portfolio to meet these margin calls.

PBGC also invests in forward contracts. A forward foreign currency contract is a commitment to purchase or sell a foreign currency at the settlement date (in the future) at a negotiated rate or to make settlement based on comparable economics, but without actually delivering the foreign currency. Foreign currency forward, futures, and option contracts may be used as a substitute for cash currency holdings. This is in order to minimize currency risk exposure to changes in foreign currency exchange rates and to adjust overall currency exposure to reflect the investment views of the fixed income and equity portfolio managers regarding relationships between currencies.

A swap is an agreement between two parties to exchange different financial returns on a notional investment amount. The major forms of swaps traded are interest rate swaps, credit default swaps, and total return swaps. These swaps are netted for reporting purposes. PBGC uses swap and swaption contracts to adjust exposure to interest rates, fixed income securities exposure, credit exposure, and equity exposure, and to generate income based on the investment views of the portfolio managers regarding interest rates, indices, and individual securities.

Interest rate swaps involve exchanges of fixed-rate and floating-rate interest. Interest rate swaps are often used to alter exposure to interest rate fluctuations by swapping fixed-rate obligations for floating-rate obligations, or vice versa. The counterparties to the swap agree to exchange interest payments on specific dates, according to a predetermined formula. The payment flows are usually netted against each other, with one party paying the difference to the other.

A credit default swap is a contract between a buyer and seller of protection against pre-defined credit events. PBGC may buy or sell credit default swap contracts to seek to increase the portfolio's income or to mitigate the risk of default on portfolio securities.

A total return swap is a contract between a buyer and seller of exposures to certain asset classes, such as equities. PBGC may buy or sell total return contracts to seek to increase or reduce the portfolio's exposure to certain asset classes.

An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option) or sell to (put option) the writer a designated instrument at a specified price within a specified period of time.

Stock warrants and rights allow PBGC to purchase securities at a stipulated price within a specified time limit.

For the fiscal years ended September 30, 2023 and 2022, gains and losses from settled margin calls are reported in "Investment income" on the Statements of Operations. Securities and cash are pledged as collateral for derivative contracts (e.g., futures and swaps) and are recorded as a receivable or payable.

FASB Accounting Standards Codification Section 815, *Derivatives and Hedging*, requires the disclosure of fair values of derivative instruments and their gains and losses in its financial statements of both the derivative positions existing at period ending September 30, 2022 and the effect of using derivatives during the reporting period.

The following three key tables present PBGC's use of derivative instruments and its impact on PBGC's financial statements:

- Fair Values of Derivative Instruments – Identifies the location of derivative fair values on the Statements of Financial Position, as well as the notional amounts.
- Offsetting of Derivative Assets – Presents the impact of legally enforceable master netting agreements on derivative assets.
- Offsetting of Derivative Liabilities – Presents the impact of legally enforceable master netting agreements on derivative liabilities.

FAIR VALUES OF DERIVATIVE INSTRUMENTS

	Asset Derivative					
	September 30, 2023			September 30, 2022		
(Dollars in millions)	Statements of Financial Position Location	**Notional**	**FMV**	Statements of Financial Position Location	Notional	FMV
Futures	Derivative Contracts	**$6,671**	**$357**	Derivative Contracts	$6,976	$172
Swap contracts						
Interest rate swaps	Investments-Fixed	**2,956**	**79**	Investments-Fixed	2,005	115
Other derivative swaps	Investments-Fixed	**1,077**	**6**	Investments-Fixed	1,279	(1)
Option contracts	Investments-Fixed	**8**	**5**	Investments-Fixed	117	2
Forwards - foreign exchange	Investments-Fixed	**14,942**	**21**	Investments-Fixed	12,899	70
	Investments-Equity	**-**	**-**	Investments-Equity	-	-

	Liability Derivative					
	September 30, 2023			September 30, 2022		
(Dollars in millions)	Statements of Financial Position Location	**Notional**	**FMV**	Statements of Financial Position Location	Notional	FMV
Futures	Derivative Contracts	**$12,765**	**($140)**	Derivative Contracts	$7,193	($210)
Option contracts	Derivative Contracts	**11**	**(4)**	Derivative Contracts	9	(1)

Additional information specific to derivative instruments is disclosed in Note 4 – Derivative Contracts, and Note 5 – Fair Value Measurements.

PBGC uses a net presentation on the Statements of Financial Position for those derivative financial instruments entered into with counterparties under legally enforceable master netting agreements. Derivative receivables and derivative payables are netted on the Statements of Financial Position with the same counterparty and the related cash collateral receivables and payables when a legally enforceable master netting agreement exists (i.e., for over-the-counter derivatives). Master netting agreements are used to mitigate counterparty credit risk in certain transactions, including derivatives transactions, repurchase agreements and reverse repurchase agreements. The master netting agreement also may require the exchange of cash or marketable securities to collateralize either party's net position. Any cash collateral exchanged with counterparties under these master netting agreements is also netted against the applicable derivative fair values on the Statements of Financial Position.

OFFSETTING OF DERIVATIVE ASSETS FAIR VALUE

(Dollars in millions)	September 30, 2023 Gross Amount of Recognized Assets	September 30, 2023 Gross Amounts Offset in Statements of Financial Position	September 30, 2023 Net Amounts of Assets Presented in Statements of Financial Position	September 30, 2022 Gross Amount of Recognized Assets	September 30, 2022 Gross Amounts Offset in Statements of Financial Position	September 30, 2022 Net Amounts of Assets Presented in Statements of Financial Position
Derivatives						
Interest-rate contracts	**$1**	**$ -**	**$1**	$7	($7)	$-
Foreign exchange contracts	**304**	**(231)**	**73**	484	(380)	104
Other derivative contracts[1]	**0***	**0***	**0***	2	0*	2
Cash collateral nettings	**-**	**16**	**16**	-	-	-
Total Derivatives	**$305**	**($215)**	**$90**	$493	($387)	$106
Other financial instruments[2]						
Repurchase agreements	**966**	**-**	**966**	660	-	660
Securities lending collateral	**6,753**	**-**	**6,753**	4,581	-	4,581
Total derivatives and other financial instruments	**$8,024**	**($215)**	**$7,809**	$5,734	($387)	$5,347

(Dollars in millions)	September 30, 2023 Gross Amounts Not Offset in Statements of Financial Position			September 30, 2022 Gross Amounts Not Offset in Statements of Financial Position		
	Net Amount of Assets Presented in Statements of Financial Position	**Collateral Received**	**Net Amount**	Net Amount of Assets Presented in Statements of Financial Position	Collateral Received	Net Amount
Repurchase agreements	**$966**	**$-**	**$966**	$660	$-	$660
Security lending collateral	**6,753**	**(6,753)**	**-**	4,581	(4,581)	-
Total	**$7,719**	**($6,753)**	**$966**	$5,241	($4,581)	$660

* Less than $500,000
[1] Other derivative contracts include total return swaps, currency swaps, and credit default swaps.
[2] Under subheading "Other financial instruments", repurchase agreements and securities lending collateral are presented on a gross basis within the table and on the Statements of Financial Position.

OFFSETTING OF DERIVATIVE LIABILITIES FAIR VALUE

(Dollars in millions)	**September 30, 2023** Gross Amount of Recognized Liabilities	**September 30, 2023** Gross Amounts Offset in Statements of Financial Position	**September 30, 2023** Net Amounts of Assets Presented in Statements of Financial Position	September 30, 2022 Gross Amount of Recognized Liabilities	September 30, 2022 Gross Amounts Offset in Statements of Financial Position	September 30, 2022 Net Amounts of Assets Presented in Statements of Financial Position
Derivatives						
Interest-rate contracts	**$1**	**$-**	**$1**	$20	($7)	$13
Foreign exchange contracts	**283**	**(231)**	**52**	415	(380)	35
Other derivative contracts[1]	**0***	**0***	**0***	1	0*	1
Cash collateral nettings	**-**	**-**	**-**	-	26	26
Total Derivatives	**$284**	**($231)**	**$53**	$436	($361)	$75
Other financial instruments[2]						
Resale agreements	**$-**	**$-**	**$-**	$-	$-	$-
Securities lending collateral	**6,753**	**-**	**6,753**	4,581	-	4,581
Total derivatives and other financial instruments	**$7,037**	**($231)**	**$6,806**	$5,017	($361)	$4,656

(Dollars in millions)	**September 30, 2023** Gross Amounts Not Offset in Statements of Financial Position: Net Amount of Liabilities Presented in Statements of Financial Position	**Collateral Received**	**Net Amount**	September 30, 2022 Gross Amounts Not Offset in Statements of Financial Position: Net Amount of Liabilities Presented in Statements of Financial Position	Collateral Received	Net Amount
Resale agreements	**$-**	**$-**	**$-**	$-	$-	$-
Security lending collateral	**6,753**	**(6,753)**	**-**	4,581	(4,581)	-
Total	**$6,753**	**($6,753)**	**$-**	$4,581	($4,581)	$-

* Less than $500,000

1 Other derivative contracts include total return swaps, currency swaps, and credit default swaps.

2 Under subheading "Other financial instruments", repurchase agreements and securities lending collateral are presented on a gross basis within the table and on the Statements of Financial Position.

The following table identifies the location of derivative gains and losses on the Statements of Operations as of September 30, 2023, and September 30, 2022.

EFFECT OF DERIVATIVE CONTRACTS ON THE STATEMENTS OF OPERATIONS

(Dollars in millions)	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives **Sept. 30, 2023**	Sept. 30, 2022
Futures			
Contracts in a receivable position	Investment Income-Fixed	**$1,059**	$2,047
Contracts in a receivable position	Investment Income-Equity	**0 ***	-
Contracts in a payable position	Investment Income-Fixed	**(680)**	(1,761)
Contracts in a payable position	Investment Income-Equity	**-**	-
Swap agreements			
Interest rate swaps	Investment Income-Fixed	**21**	115
Other derivative swaps	Investment Income-Fixed	**(2)**	(45)
Option contracts			
Options purchased (long)	Investment Income-Fixed	**(21)**	(12)
Options purchased (long)	Investment Income-Equity	**-**	-
Options written (sold short)	Investment Income-Fixed	**9**	16
Options written (sold short)	Investment Income-Equity	**-**	0 *
Forward contracts			
Forwards - foreign exchange	Investment Income-Fixed	**(22)**	122
	Investment Income-Equity	**0 ***	0 *

* Less than $500,000

Additional information specific to derivative instruments is disclosed in Note 4 - Derivative Contracts, and Note 5 - Fair Value Measurements.

SECURITIES LENDING

PBGC participates in a securities lending program administered by its custodian bank. The custodian bank requires initial collateral that equals 102 to 105 percent of the value of the securities lent. The collateral is held by the custodian bank or its agent. The custodian bank either receives cash or non-cash as collateral or returns collateral to cover mark-to-market changes. Any cash collateral received is invested by PBGC's investment agent. In addition to the lending program managed by the custodian bank, some of PBGC's investment managers are authorized to invest in securities purchased under resale agreements (an agreement with a commitment by the seller to buy a security back from the purchaser at a specified price at a designated future date).

The average value of securities on loan through September 30, 2023, and through September 30, 2022, was $6,436 million and $6,296 million, respectively. The average value of lendable securities was $38,606 million through September 30, 2023, and $44,590 million through September 30, 2022. The ratio of the average value of securities on loan and the average value of lendable securities is the average utilization rate. This average utilization rate was 17 percent through September 30, 2023, and 14 percent through September 30, 2022.

The average value of U.S. Corporate Bonds and Equity securities on loan through September 30, 2023, was $1,327 million, as compared to $2,373 million through September 30, 2022. The average value of U.S.

Corporate Bonds and Equity securities on loan is 21 percent of the $6,436 million average value of securities on loan through September 30, 2023, as compared to 38 percent of the $6,296 million average value of securities on loan through September 30, 2022. The average value of lendable U.S. Corporate Bonds and Equity securities was $22,154 million through September 30, 2023, or 57 percent of PBGC's overall average value of lendable securities; while the average value of lendable U.S. Corporate Bonds and Equity securities was $26,168 million through September 30, 2022, or 59 percent of PBGC's overall average value of lendable securities. The average utilization of U.S. Corporate Bonds and Equity securities was 6 percent through September 30, 2023, and 9 percent through September 30, 2022. U.S. Corporate Bonds and Equity securities utilization decreased due to a change in strategy to increase securities lending fees. The increased fees more than compensated for the slightly lower levels of utilization for U.S. Corporate Bonds and Equity securities that resulted and led to increased lending earnings.

The average value of U.S. Government securities on loan through September 30, 2023, was $5,025 million, as compared to $3,855 million through September 30, 2022. The average value of U.S. Government securities on loan was 78 percent of the $6,436 million average value of securities on loan through September 30, 2023, as compared to 61 percent of the $6,296 million average value of securities on loan through September 30, 2022. The average value of lendable U.S. Government securities through September 30, 2023, was $12,685 million, or 33 percent of PBGC's overall average value of lendable securities; whereas the average value of lendable U.S. Government securities through September 30, 2022, was $14,765 million, or 33 percent of PBGC's overall average value of lendable securities. The average utilization of U.S. Government securities was 41 percent through September 30, 2023, and 26 percent through September 30, 2022. Utilization of U.S. Government securities increased year over year because of a higher level of demand for U.S. Government Securities from borrowers. The following table presents utilization rates of investment securities in the custodian administered securities lending program.

UTILIZATION RATES IN THE SECURITIES LENDING PROGRAM

	Daily Utilization Rates at Sept. 30, 2023	Sept. 30, 2023 Average Utilization Rates	Sept. 30, 2022 Average Utilization Rates
U.S. Corporate Bond & Equity	6%	6%	9%
U.S. Government Securities	55%	41%	26%
Non-U.S. Corporate Bond & Equity	7%	3%	3%
Non-U.S. Fixed Income	1%	0%*	0%*
Total PBGC Program	20%	17%	14%

*Less than 1%.

The amount of cash collateral received for securities on loan at September 30, 2023, and September 30, 2022, was $6,753 million and $4,581 million, respectively. These amounts are recorded as assets and are offset with a corresponding liability. For lending agreements collateralized by securities, no accompanying asset or liability is recorded, as PBGC does not sell or re-pledge the associated collateral. For those securities lending activities that PBGC directs through its custodian manager, the Corporation chooses to invest proceeds from securities lending in the PBGC Collateral Fund.

In addition to its custodian agent lending program, PBGC invests in commingled index funds that participate in securities lending. PBGC does not own the securities in a commingled fund but owns units in the fund. The index fund provider utilizes an affiliated lending agent that lends the securities in the fund and receives collateral in return. The lending agent monitors and manages the collateral levels as well as monitors the credit quality and operations of their lending counterparties. The lending agent performs this service on behalf of the many clients that are invested in the commingled funds that participate in securities lending. This collateral is not valued or recorded on PBGC's financial statements as PBGC only owns units in the commingled funds.

PBGC's earnings from its agency securities lending programs as of September 30, 2023, and September 30, 2022, was $19 million and $14 million, respectively. Also contributing to PBGC's securities lending income is its participation in the commingled index funds mentioned above. Net income from securities lending is included in "Investment income – Fixed" on the Statements of Operations.

PBGC does not have the right by contract or custom to sell or re-pledge non-cash collateral, and therefore it is not reported on the Statements of Financial Position. Non-cash collateral, which consists of highly rated debt instruments, has increased on an absolute basis year over year.

REPURCHASE AGREEMENTS

PBGC's repurchase agreements entitle and obligate the Corporation to repurchase or redeem the same or substantially the same securities that were previously transferred as collateralized securities. In addition, repurchase agreements require the Corporation to redeem the collateralized securities, before maturity at a fixed determinable price.

As of September 30, 2023, PBGC had $966 million of repurchase agreements. Repurchase agreements include maturities of one day which is reported as an asset and included in the "Cash and cash equivalents" balance. Those that mature in more than one day are reported under "Fixed maturity securities." There was no associated liability for these secured borrowings reported as "Securities sold under repurchase agreements." PBGC has no restrictions placed on the cash received for all its outstanding repurchase agreements as of September 30, 2023.

NOTE 4: DERIVATIVE CONTRACTS

PBGC's derivative financial instruments are recorded at fair value and are included on the Statements of Financial Position as investments and derivative contracts. Foreign exchange forwards are included in "Fixed maturity securities." Swaps are netted for the individual contracts and are also included in "Fixed maturity securities." Swaps listed in the tables below represent the receivables and payables in an open trade position. Contracts for Futures in the tables below represent margin variation receivables and payables. The amounts subject to credit risk related to derivative instruments are generally limited to the amounts, if any, by which the counterparty's obligations exceed PBGC's obligations with that counterparty. PBGC considers this risk remote and does not expect the settlement of these transactions to have a material effect in the Statements of Operations and Statements of Financial Position.

Amounts in the table below represent the derivative contracts in a receivable position at September 30, 2023. Collateral deposits of $333 million, which represent cash paid as collateral on certain derivative contracts, are shown below.

DERIVATIVE CONTRACTS

(Dollars in millions)	**September 30, 2023**		September 30, 2022	
Receivables on derivatives:				
Collateral deposits	**$333**	1	$362	2
Futures contracts	**356**		172	
Interest rate swaps (open trade receivable)	**31**		121	
Other derivative swaps (open trade receivable)	**41**		0	*
Total	**$761**		$655	

*Less than $500,000

[1] For FY 2023, where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits receivable are $333 million ($381 million gross collateral deposits receivable less $48 million due to a netting of collateral deposits receivable and payable).

[2] For FY 2022, where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits receivable are $362 million ($409 million gross collateral deposits receivable less $47 million due to a netting of collateral deposits receivable and payable).

Amounts in the Derivative Contracts table below represent derivative contracts in a payable position at September 30, 2023, which PBGC reflects as a liability. Collateral deposits of $495 million, which represent cash received as collateral on certain derivative contracts, are included.

DERIVATIVE CONTRACTS

(Dollars in millions)	**September 30, 2023**		September 30, 2022	
Payables on derivatives:				
Collateral deposits	**$495**	1	$312	2
Futures contracts	**140**		210	
Interest rate swaps (open trade payable)	**31**		118	
Other derivative swaps (open trade payable)	**41**		0	*
Options fixed/equity – income	**4**		1	
Total	**$711**		$641	

*Less than $500,000

[1] For FY 2023, where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits payable are $495 million ($543 million gross collateral deposits payable less $48 million due to a netting of collateral deposits receivable and payable).

[2] For FY 2022, where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits payable are $312 million ($359 million gross collateral deposits payable less $47 million due to a netting of collateral deposits receivable and payable).

NOTE 5: FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification Section 820, *Fair Value Measurements and Disclosures*, provides a consistent definition of fair value and establishes a framework for measuring fair value in accordance with U.S. GAAP. It does not require the measurement of financial assets and liabilities at fair value. The standard is intended to increase consistency and comparability in, and disclosures about, fair value measurements by giving users better information about how extensively PBGC uses fair value to measure financial assets and liabilities, the inputs PBGC used to develop those measurements and the effect of the measurements, if any, on the financial condition, results of operations, liquidity, and capital.

Section 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an "exit price") in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants on the measurement date. When PBGC measures fair value for its financial assets and liabilities, PBGC considers the principal or most advantageous market in which the Corporation would transact. PBGC also considers assumptions that market participants would use when pricing the asset or liability. When possible, PBGC looks to active and observable markets to measure the fair value of identical, or similar, financial assets or liabilities. When identical financial assets and liabilities are not traded in active markets, PBGC looks to market observable data for similar assets and liabilities. In some instances, certain assets and liabilities are not actively traded in observable markets, and as a result PBGC uses alternative valuation techniques to measure their fair value.

In addition, Section 820 establishes a hierarchy for measuring fair value. That hierarchy is based on the observability of inputs to the valuation of a financial asset or liability as of the measurement date. The standard also requires the recognition of trading gains or losses related to certain derivative transactions whose fair value has been determined using unobservable market inputs.

PBGC believes that its valuation techniques and underlying assumptions used to measure fair value conform to the provisions of Section 820. PBGC has categorized the financial assets and liabilities that PBGC carries at fair value in the Statements of Financial Position based upon the standard's valuation hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to pricing methods with significant observable market inputs (Level 2), and the lowest priority to significant unobservable valuation inputs (Level 3). In addition, PBGC, for certain non-Level 1 Net Asset Value (NAV) investments, uses a "practical expedient" (i.e., priced without any adjustments). Non-Level 1 NAV investments that use the practical expedient are displayed in a NAV only category and are removed from their Level 2 or Level 3 category and added to the new exclusive NAV only category. The fair value table affected by this guidance is found in PBGC Financial Statements Note 5, Fair Value Measurements.

If the inputs used to measure a financial asset or liability cross different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. PBGC's assessment of the significance of a particular input to the overall fair value measurement of a financial asset or liability requires judgment, and considers factors specific to that asset or liability, as follows:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market. PBGC's Level 1 investments primarily include exchange-traded equity securities and certain U.S. Government securities.

Level 2 - Financial assets and liabilities whose values are based on quoted prices for similar assets and liabilities in active markets. PBGC also considers inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets. This includes cash equivalents, securities lending collateral, U.S. Government securities, asset backed securities, fixed foreign investments, corporate bonds, repurchase agreements, bond forwards, and swaps.
- Quoted prices for identical or similar assets or liabilities in non-active markets. This includes corporate stock, pooled funds fixed income, pooled funds equity, and foreign investments equity.
- Pricing models whose inputs are observable for substantially the full term of the asset or liability – included are insurance contracts and bank loans.
- Pricing models whose inputs are derived principally from or are corroborated by observable market information through correlation or other means for substantially the full term of the asset or liability.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable in the market and significant to the overall fair value measurement. These inputs reflect PBGC's judgment about the assumptions that a market participant would use in pricing the asset or liability and based on the best available information. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. PBGC includes instruments whose values are based on a single source such as a broker, pricing service, or dealer, which cannot be corroborated by recent market transactions. These include fixed maturity securities such as corporate bonds that are comprised of securities that are no longer traded on the active market and/or not managed by any asset manager. Equity securities such as corporate stocks are also included, comprised of securities that are no longer traded on the active market and/or not managed by any asset manager. Real estate funds that invest primarily in U.S. commercial real estate are valued based on each underlying investment within the fund/account; they incorporate valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information, including comparable transactions, and performance multiples, among other factors. The assets and liabilities that PBGC carries at fair value are summarized by the three levels required by Section 820 in the following table. The fair value of the asset or liability represents the "exit price" – the price that would be received to sell the asset or paid to transfer the liability.

FAIR VALUE MEASUREMENTS ON A RECURRING BASIS AS OF SEPTEMBER 30, 2023

(Dollars in millions)	Investment Measured at Net Asset Value (NAV)	Quoted Market Prices in Active Markets (Level 1)	Pricing Methods with Significant Observable Market Inputs (Level 2)	Pricing Methods with Significant Unobservable Market Inputs (Level 3)	Total Net Carrying Value in Statements of Financial Position
Assets					
Cash and cash equivalents	$ -	$ 111	$13,542	$ -	$13,653
Securities lending collateral[1]	-	-	6,753	-	6,753
Investments:					
Fixed maturity securities					
U.S. Government securities	-	-	54,327	-	
Commercial paper/securities purchased under repurchase agreements	-	-	354	-	
Asset backed/Mortgage backed securities	-	-	11,630	-	
Pooled funds[2]		2	-	0*	
Pooled funds fixed maturity at NAV[2,3]	1,304				
Corporate bonds and other	-	5	17,171	0*	
International securities	-	21	6,225	2	
Total Fixed Maturity Securities	1,304	28	89,707	2	91,041
Equity securities:					
Domestic	-	824	51	4	
International	-	2,618	0*	0*	
Pooled funds[2]		29	-	-	
Pooled funds equity securities NAV[2,3]	9,848				
Total Equity Securities	9,848	3,471	51	4	13,374
Private equity at NAV[3]	195	-	-	-	195
Real estate and real estate investment trusts	-	1,087	-	4	
Real estate and real estate investment trusts at NAV[3]	522				
Total Real Estate	522	1,087	-	4	1,613
Insurance contracts and other Investments	18	-	-	259	277
Receivables: [4]					
Derivative contracts[5]	-	356	405	-	761
Liabilities					
Payables: [4]					
Derivative contracts[6]	-	145	566	-	711

* Less than $500,000.

1 For securities lending details, please refer to the Securities lending section in Note 3 – Investments.

2 Pooled funds fixed and Pooled funds equity consists of domestic, international and global/other.

3 Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have been excluded from fair value hierarchy. See Significant Accounting Policies – Note 2.

4 Where a legally enforceable master netting agreement exists, amounts for "Receivables, net – Derivative Contracts" and "Payables, net – Derivative Contracts" will include net of cash collateral deposited for non-exchange traded derivatives which are subject to master netting agreements. Collateral deposits receivable are $333 million ($381 million gross collateral deposits receivable less $48 million due to a netting of collateral deposits receivable and payable). Collateral deposits payable are $495 million ($543 million gross collateral deposits payable less $48 million due to a netting of collateral deposits receivable and payable).

5 Derivative contracts receivables are comprised of open receivable trades on futures, swaps, and collateral deposits. See the Derivative Contracts table under Note 4.

6 Derivative contracts payables are comprised of open payable trades on futures, swaps, options, and collateral deposits. See the Derivative Contracts table under Note 4.

CHANGES IN LEVEL 3 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS FOR THE YEAR ENDED SEPTEMBER 30, 2023

(Dollars in millions)	Fair Value at September 30, 2022	Total Realized and Unrealized Gains (Losses) included in Income	Purchases	Sales	Transfers Into Level 3	Transfers Out of Level 3	Fair Value at September 30, 2023	Change in Unrealized Gains (Losses) Related to Financial Instruments held at September 30, 2023[1]
Assets:								
Fixed Securities	$21	(1)	2	(21)	1	-	$2	$40
Equity Securities	$5	0*	0*	(2)	1	-	$4	$1
Private Equity	$ -	-	-	-	-	-	$-	$ -
Real Estate & Real Estate Investment Trusts	$10	(2)	-	(4)	-	-	$4	($1)
Insurance and Other	$282	(28)	88	(83)	-	-	$259	($42)

* Less than $500,000.

1 Amounts included in this column solely represent changes in unrealized gains and losses and cannot be derived from other columns from this table.

Pursuant to FASB Accounting Standards Codification Section 820, *Fair Value Measurement, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*; additional disclosures for Investments priced at Net Asset Value are discussed below.

FAIR VALUE MEASUREMENTS OF INVESTMENTS THAT ARE MEASURED AT NET ASSET VALUE PER SHARE (OR ITS EQUIVALENT) AS A PRACTICAL EXPEDIENT FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Net Asset Value (in millions)	Unfunded Commitments [1,2]	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real estate (a)	$ 522	$ 17	n/a	n/a
Private equity (b)	195	57	n/a	n/a
Pooled funds (c)	11,152	-	n/a	n/a
Total	$11,869	$74		

[1] Unfunded amounts include recallable distributions. A substantial portion of the unfunded commitments is unlikely to be called.
[2] These amounts include unfunded commitments that are measured at Net Asset Value.

a. This class includes public and private real estate investments that invest primarily in U.S. commercial real estate and U.S. residential real estate. For the private real estate investments, the fair value of each individual investment in this class has been estimated using the net asset value of PBGC's ownership interest in partners' capital. Generally, these investments do not have redemption provisions. Distributions from each asset include periodic income payments and the proceeds from the sale of the underlying real estate assets. The underlying real estate assets can generally be held indefinitely from the inception date of the investment. There are no plans to sell PBGC's interest in private real estate fund investments in this class in the secondary market. The public real estate investment is an investment in a unit trust that is intended to match the return of a REIT index. Units reflect a pro-rata share of the fund's investments. The per unit net asset value is determined each business day based on the fair value of the fund's investments. Issuances and redemptions are possible at least monthly when a per unit value is determined and are based upon the closing per unit net asset value.

b. This class includes private market investments that invest primarily in U.S. buyout and U.S. venture capital funds. These investments do not generally have redemption provisions. Instead, investments in this class typically make distributions which result from liquidation of the underlying assets of the funds. These distributions can extend 10 years or more from the inception of each individual fund. The fair value of each individual investment has been estimated using the net asset value of PBGC's ownership interest in partners' capital.

c. This class includes investments in unit trusts that are intended to match or outperform the returns of domestic and international indices. Units reflect a pro-rata share of the fund's investments. The per unit net asset value is determined each business day based on the fair value of the fund's investments. Issuances and redemptions are possible at least monthly when a per unit value is determined and are based upon the closing per unit net asset value.

PBGC uses recent prices of group annuities to derive the interest factors used to calculate the present value of future benefit-payment obligations. PBGC determines the interest-factor set that, when combined with a specified mortality table, produces present values that approximate the prices private insurers would charge to annuitize the same benefit-payment obligations.

Based on this valuation and in accordance with the provisions of the FASB Accounting Standards Codification Section 820, *Fair Value Measurements and Disclosures*, the significant unobservable inputs for the liability is the interest factor risk for Level 3 fair value measurements. A change in interest factors has an impact to the calculation of PBGC's PVFB, and the impact will be reflected in the "Due to change in interest factors." The table below summarizes the hypothetical results of using a 100 basis point difference causing the PVFB liability to increase (decrease) with a corresponding decrease (increase) in the interest factors. Furthermore, any such hypothetical change in the PVFB liability would have a corresponding effect on "Due to change in interest factors" expense.

HYPOTHETICAL AND ACTUAL INTEREST FACTOR SENSITIVITY CALCULATIONS OF PVFB SINGLE-EMPLOYER TRUSTEED PLANS AND MULTIEMPLOYER PROGRAM[1]

September 30, 2023 *(Dollars in millions)*	**Sensitivity Factors Curve of One-Year Spot Rates (Interest Factors) - Varies Annually from 5.30% in year 1 for 30 years, 4.55% thereafter**	**Official Factors[2] Curve of One-Year Spot Rates (Interest Factors) - Varies Annually from 6.30% in year 1 for 30 years, 5.55% thereafter**	**Sensitivity Factors Curve of One-Year Spot Rates (Interest Factors) - Varies Annually from 7.30% in year 1 for 30 years, 6.55% thereafter**
Single-Employer Program[3]	$79,287	**$73,775[4]**	$69,040
Multiemployer Program	2,422	**2,211**	2,031
Total	$81,709	**$75,986**	$71,071

[1] Level 3 Fair Value Measurements.
[2] Actual Spot Curve factors and PVFB amounts calculated for September 30, 2023, fiscal year-end financial statements.
[3] Gross PVFB liability for trusteed plans prior to the netting of recoveries.
[4] Liability for the Single-Employer Program included the 10/01/2023 $498 million benefit payment made on 09/29/2023.

NOTE 6: PRESENT VALUE OF FUTURE BENEFITS

The present value of future benefits (PVFB) is the estimated liability for future pension benefits that PBGC is or will be obligated to pay for trusteed plans and plans pending termination and trusteeship. For financial statement purposes, the net assets of plans pending termination and trusteeship (including estimated recoveries, assets, and miscellaneous liabilities) are included in the line item "Plans Pending Termination and Trusteeship." The estimated losses on probable future plan terminations are also included in the total PVFB liability. The PVFB liability is stated as the actuarial present value of estimated future benefit payments.

PBGC uses a curve of interest factors to determine the estimated actuarial present value of future benefit payments (as well as projected multiemployer nonrecoverable future financial assistance as discussed in Note 7). PBGC surveys insurance industry group annuity prices through the American Council of Life Insurers (ACLI) to obtain input needed to determine interest factors and then derives a 30-year curve of interest factors that together with the latest Society of Actuaries' (SOA) mortality table best matches the private sector average group annuity prices from the ACLI surveys.

The yield curve of interest factors is adjusted to best fit the average survey group annuity prices which include unobserved factors such as: actual insurer mortality tables and mortality improvement expectations, regulatory capital requirements, risk perspective, profit expectations, etc. Many factors including Federal Reserve policy, changing expectations about longevity risk, and competitive market conditions may affect these interest factors.

The interest factors determined as the best fit for the price information from the two most recent ACLI surveys, as of June 30, 2023 and March 31, 2023, have been adjusted to the date of the financial statements using market interest rates. For this purpose, underlying market interest rates are based on a weighted average of corporate and treasury bond rates using rate information obtained from the Intercontinental Exchange (ICE) index data platform. Corporate bond rates are from the ICE AAA-A3 market-weighted corporate bond spot curve which is based primarily on single A bond rates. Treasury rates are from the ICE U.S. Government spot curve. In PBGC's opinion, the liability for future benefit payments, net of administrative expenses, could be settled in the market for single-premium nonparticipating group annuities issued by private insurers at September 30, 2023 using these developed interest factors.

To derive the curve of interest factors, PBGC used the latest Society of Actuaries' (SOA) mortality table (Pri-2012 blended table based on the Employee and Non-Disabled mortality tables) and the MP-2021 mortality improvement scales. The latest SOA mortality table is PBGC's best estimate of the mortality assumption being used by insurance companies to determine group annuity premiums.

The table below shows a comparison of the September 30, 2023 and September 30, 2022 spot rate yield curves. Future payments are discounted by the single spot rate applicable for the future year in which the payment is made. For September 30, 2023, the spot rate yield curve starts with an interest factor of 6.30% in year 1 and changes as the future period for discounting gets longer until year 30 when the factor becomes 5.55% and is assumed to remain level thereafter. For September 30, 2022, the spot rate yield curve started with an interest factor of 5.12% in year 1 and changed as the future period for discounting got longer until year 30 when the interest factor became 4.76% and was assumed to remain level thereafter.

CURVE OF SPOT RATES FOR SEPTEMBER 30, 2023 AND SEPTEMBER 30, 2022

Period (in Years)	09/30/2023	09/30/2022	Change		Period (in Years)	09/30/2023	09/30/2022	Change
1	6.30%	5.12%	1.18%		16	6.07%	5.43%	0.64%
2	6.07%	5.28%	0.79%		17	6.11%	5.48%	0.63%
3	5.95%	5.44%	0.51%		18	6.14%	5.52%	0.62%
4	5.88%	5.48%	0.40%		19	6.17%	5.56%	0.61%
5	5.83%	5.47%	0.36%		20	6.18%	5.58%	0.60%
6	5.81%	5.43%	0.38%		21	6.19%	5.59%	0.60%
7	5.80%	5.37%	0.43%		22	6.18%	5.57%	0.61%
8	5.81%	5.32%	0.49%		23	6.15%	5.54%	0.61%
9	5.82%	5.28%	0.54%		24	6.11%	5.48%	0.63%
10	5.85%	5.26%	0.59%		25	6.05%	5.41%	0.64%
11	5.88%	5.26%	0.62%		26	5.98%	5.31%	0.67%
12	5.91%	5.27%	0.64%		27	5.89%	5.19%	0.70%
13	5.95%	5.30%	0.65%		28	5.79%	5.06%	0.73%
14	5.99%	5.33%	0.66%		29	5.67%	4.91%	0.76%
15	6.03%	5.38%	0.65%		30	5.55%	4.76%	0.79%
					Longer Periods	5.55%	4.76%	0.79%

PBGC uses a fully generational mortality assumption, in combination with the spot rates above, to measure the PVFB. Based on the results of a preliminary 2022 study of PBGC's single-employer mortality experience (completed September 14, 2022), an updated mortality assumption was adopted for the September 30, 2022, and subsequent Financial Statements. The study was based on PBGC's single-employer experience from fiscal years 2017 through 2021. The study recommended the use of the Pri-2012 Total Dataset Mortality tables combined with specific ten-year age band adjustments from ages 55 to 104 for healthy participants and setting ages forward or backward for disabled participants depending on a disabled participant's gender and eligibility for Social Security. The resulting tables are projected generationally using the most currently available projection scale, which is Scale MP-2021. The preliminary 2022 mortality study was finalized on February 17, 2023. As a result, the mortality assumption was updated for the June 30, 2023 and subsequent financial statements. The final morality study includes an additional experience year (2022) in the analysis and recommended revisions to the previously updated healthy and disabled mortality tables. Separate base mortality rates for annuitants and non-annuitants are now being applied and were determined based on experience through September 30, 2019, resulting in changes to the age band adjustments developed in the preliminary mortality study. In addition, adjustments to the mortality improvement assumption were developed based on mortality experience for the calendar years 2020-2022 to reflect anticipated future effects of the COVID-19 pandemic. The updates to the MP-2021 mortality improvement scale for anticipated excess mortality are as follows: 2023: 5%, 2024: 4%, 2025: 3%, 2026: 2%, 2027: 1%, 2028 and beyond: 0%.

Thus, the mortality tables PBGC used to determine liabilities as of September 30, 2023, consisted of the Pri-2012 Total Dataset Annuitant and Non-Annuitant Mortality Tables Healthy Male and Female with the age band adjustments noted above projected generationally with the MP-2021 improvement scales and adjustments for expected excess mortality for years 2023-2027.

Based on the results of a 2023 study of PBGC's case administration expenses, an updated expense assumption was adopted for the September 30, 2023, and subsequent financial statements. The expense reserve remained as 0.68% of the PVFB but the additional reserves decreased for plans in which plan asset valuations, participant database audits, and actuarial valuations were not yet complete. In addition to the completion of these milestones, PBGC continues to base the reserve on plan size, number of participants, and time since trusteeship. The expense loading factor of 0.68% for ongoing benefit payments represents the estimate of expenses incurred from the ongoing payment of administrative expenses for participants receiving benefits. The expense factors are applied to current data to calculate expense liabilities for each financial statement close. For September 30, 2023, year-end, PBGC used the new expense reserve factors for administrative expenses.

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

The PVFB for trusteed plans for FY 2023 and FY 2022 reflect the payment of benefits and the changes in interest and mortality assumptions, expected interest, and the effect of experience. The resulting liability represents PBGC's best estimate of the measure of anticipated experience under these programs.

The table below summarizes the actuarial adjustments, charges, and credits that explain how the Corporation's Single-Employer Program liability for the PVFB changed for the fiscal year ended September 30, 2023, and for the fiscal year ended September 30, 2022.

RECONCILIATION OF THE PRESENT VALUE OF FUTURE BENEFITS FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	September 30,			
(Dollars in millions)	**2023**		2022	
Present value of future benefits, at beginning of year -- Single-Employer, net		**$78,332**		$108,929
Estimated recoveries, prior year		**128**		150
Assets of terminated plans pending trusteeship, net, prior year		**2,885**		3,643
Present value of future benefits at beginning of year, gross		**81,345**		112,722
Settlements and judgments, prior year		**(17)**		(17)
Net claims for probable terminations, prior year		**(221)**		(254)
Actuarial adjustments -- underwriting:				
Changes in method and assumptions	**520**		(1,636)	
Effect of experience	**(611)**		299	
Total actuarial adjustments -- underwriting	**(91)**		(1,337)	
Actuarial charges -- financial:				
Expected interest	**3,909**		483	
Change in interest factors	**(2,941)**		(24,061)	
Total actuarial charges -- financial	**968**		(23,578)	
Total actuarial charges, current year		**877**		(24,915)
Terminations:				
Current year	**1,425**		600	
Changes in prior year	**(3,544)**		13	
Total terminations		**(2,119)**		613
Benefit payments, current year[1]		**(6,061)**		(7,042)
Estimated recoveries, current year		**(165)**		(128)
Assets of terminated plans pending trusteeship, net, current year		**(13)**		(2,885)
Settlements and judgments, current year [2]		**17**		17
Net claims for probable terminations:				
Future benefits	**668**		523	
Estimated plan assets and recoveries from sponsors	**(382)**		(302)	
Total net claims, current year[3]		**286**		221
Present value of future benefits, at end of year -- Single-Employer, net		**73,929**		78,332
Present value of future benefits, at end of year -- Multiemployer		**0***		0*
Total present value of future benefits, at end of year, net		**$73,929**		$78,332

* Less than $500,000 (actual amount is $21,902 and $31,481 for the 10 Pre-MPPAA (Multiemployer Pension Plan Amendments Act) trusteed multiemployer plans at September 30, 2023, and September 30, 2022, respectively).

1 The benefit payments of $6,061 million for FY 2023, include a net credit of $259 million due to the reversal of accrued benefit payments for J.C. Penney as the company completed a standard termination and for benefits paid from plan assets prior to trusteeship, compared to $7,042 million for FY 2022, which includes $158 million payment in FY 2022, for benefits paid from plan assets prior to trusteeship.

2 PBGC determined it is highly unlikely that more than half of the total potential future Page/Collins settlement liability will be paid. Accordingly, PBGC estimates that PBGC's future Page/Collins settlement liability amount was $17 million at both September 30, 2023, and September 30, 2022.

3 Net claims of future benefits for probable terminations of $286 million and $221 million at September 30, 2023, and September 30, 2022, include $174 million and $3 million, respectively, for specifically identified probable terminations, and $112 million and $218 million, respectively, for not specifically identified probables.

The following table details the assets that make up single-employer terminated plans pending termination and trusteeship:

ASSETS OF SINGLE-EMPLOYER PLANS PENDING TERMINATION AND TRUSTEESHIP, NET

	September 30, 2023		September 30, 2022	
(Dollars in millions)	**Basis**	**Market Value**	Basis	Market Value
U.S. Government securities	**$ -**	**$ -**	$ -	$ -
Corporate and other bonds	**3**	**3**	1,839	1,833
Equity securities	**7**	**7**	1,311	1,307
Private equity	**-**	**-**	5	7
Insurance contracts	**0 ***	**0 ***	2	2
Other	**3**	**3**	(264)	(264)
Total, net	**$13**	**$13**	$2,893	$2,885

* Less than $500,000

NET CLAIMS FOR PROBABLE TERMINATIONS

Factors that at present are not fully determinable may be responsible for why these claim estimates differ from actual experience. Included in net claims for probable terminations is a provision for future benefit liabilities for plans not specifically identified. This reserve for small unidentified probable losses is recorded for the estimated future contingent losses stemming from insured single-employer plans with an aggregate underfunding of less than $50 million. The reserve is based on the historic three-year rolling average of actual plan terminations (with an aggregate underfunding of less than $50 million) and indexed to the S&P 500 to reflect changes in economic conditions. The September 30, 2023, Net Claims for Probable Terminations is $286 million, of which $174 million is from a specific identification process and $112 million is from the reserve for small unidentified probable losses.

The values recorded in the following reconciliation table have been adjusted to the expected dates of termination.

RECONCILIATION OF NET CLAIMS FOR PROBABLE TERMINATIONS

	September 30,			
(Dollars in millions)	**2023**		2022	
Net claims for probable terminations, at beginning of year		**$221**		$254
New claims	**174**		3	
Actual terminations	**-**		(135)	
Deleted probables	**(3)**		-	
Change in benefit liabilities	**(106)**		99	
Change in plan assets	**-**		-	
Loss (credit) on probables		**65**		(33)
Net claims for probable terminations, at end of year		**$286**		$221

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

PROBABLES EXPOSURE BY INDUSTRY (PRINCIPAL CATEGORIES)

(Dollars in millions)	**FY 2023**	FY 2022
Retail	**$ -**	$-
Manufacturing	**-**	3
Transportation, Communication and Utilities	**174**	-
Total[1]	**$174**	$3

[1] Total excludes a small unidentified bulk reserve of $112 million and $218 million for September 30, 2023 and September 30, 2022, respectively.

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

The following table shows what has happened to plans classified as probable. This table does not include those plans that were classified as probable and then subsequently terminated within the same fiscal year.

ACTUAL PROBABLES EXPERIENCE

As Initially Recorded Beginning in 1987

(Dollars in millions)	Status of Probables from 1987-2022 at September 30, 2023			
Beginning in 1987, number of plans reported as Probable:	Number of Plans	Percent of Plans	Net Claim	Percent of Net Claim
Probables terminated	391	79%	$35,941	75%
Probables not yet terminated or deleted	-	0%	-	0%
Probables deleted	104	21%	12,058	25%
Total	495	100%	$47,999	100%

NOTE 7: MULTIEMPLOYER FINANCIAL ASSISTANCE

PBGC provides traditional financial assistance to multiemployer defined benefit pension plans in the form of loans (generally unsecured). Since these loans for non-SFA eligible plans are not generally repaid, an allowance is set up to the extent that repayment of these loans is not expected. Given the enactment of ARP, plans eligible to receive SFA funds once approved, are required to repay the traditional financial assistance received (a plan obligation) and thus are reflected in PBGC's notes receivable net balance below.

NOTES RECEIVABLE MULTIEMPLOYER TRADITIONAL FINANCIAL ASSISTANCE

(Dollars in millions)	**September 30, 2023**	September 30, 2022
Gross balance at beginning of year	**$2,726**	$2,634
Financial assistance payments	**176**	218
Financial assistance - premiums waived	**3**	3
Write-offs related to settlement agreements	**-**	0 *
SFA Repayments	**(147)**	(213)
Change in accrued interest on notes receivable	**156**	84
Subtotal	**2,914**	2,726
Allowance for uncollectible amounts	**(2,865)**	(2,528)
Net balance at end of year	**$49** [1]	$198

* Less than $500,000

[1] This receivable balance of $49 million (financial assistance plus interest that is expected to be returned to PBGC) represents the reduction to the allowance for uncollectible amounts relating to the insolvent plans that became eligible for Special Financial Assistance (SFA).

The Underwriting losses from financial assistance (insolvent plans) and probable financial assistance reflected in the Statements of Operations include period changes in the estimated present value of nonrecoverable future financial assistance. The financial expenses related to financial assistance are presented as actuarial charges, credits, and adjustments for plans that are known to be insolvent as of the valuation date and/or have begun or are about to begin receiving financial assistance. In addition, a change in the valuation of the liability due to new data received (e.g., new plan expenses, more recent valuation liabilities, and new withdrawal payment schedules) is included as financial assistance from insolvent and probable plans on the Statements of Operations. This valuation data change is a separate line item from actuarial adjustments and actuarial charges.

Effective FY 2023, PBGC updated its methodology in calculating Present Value of Nonrecoverable Future Financial Assistance for small-sized multiemployer plans. Previously, PBGC calculated small plan probables using a seven-year historic ratio of new plan terminations or insolvencies to the total unfunded liability for small plans in a given year. The ratio was then applied to the current unfunded liability for small plans to calculate the probable exposure. Under the new methodology, PBGC will calculate the standardized projected Date of Insolvency (DOI) for high risk small-sized plans. If the projected DOI is within 20 years of the PBGC financial statement date, actuarial calculations are performed on a plan-by-plan basis for nonrecoverable future financial assistance, utilizing certain generalized assumptions that are appropriate for a bulk reserve. Utilizing this new methodology, the FY 2023 multiemployer probable small plan bulk reserve result is $163 million. Under the prior procedure, the multiemployer probable small plan bulk reserve would have resulted in $108 million.

This updated methodology classifies the financial obligations for these plans into the categories based on their projected DOI as follows:

- Within 10 years are classified as probable.

- From 10 to 20 years are classified as reasonably possible.
- Greater than 20 years is classified as remote.

The adoption of this methodology aims to standardize and refine the projection and classification of financial obligations within the Multiemployer Program.

To determine the probable liability, ongoing plans are divided into segments based on the number of plan participants with different processes by plan size.

For small plans (less than 2,500 participants) and for medium-sized plans (2,500 to 35,000 participants), risk-based rules are applied using a cash-flow model to derive the probable liability. For large plans (more than 35,000 participants), PBGC identifies ongoing high-risk plans and then calculates projected dates of insolvency for these plans to measure the probable liability. As of September 30, 2023, the reserve has been adjusted to reflect the Special Financial Assistance (SFA) Program enacted with ARP.

ARP established the SFA Program for distressed multiemployer plans that meet specific criteria. The SFA Program is administered by PBGC and is funded by general U.S. Treasury monies, not by PBGC's multiemployer insurance fund.

The amount of SFA funding to which an eligible plan is entitled is the amount the plan requires to pay all benefits and expenses, net of plan resources (including plan assets, projected future contributions, and withdrawal liability collections), through the plan year ending in 2051. The SFA payment also includes reinstatement of benefits previously suspended due to implementation of benefit suspensions under the Multiemployer Pension Reform Act of 2014 (MPRA) or benefits reduced to PBGC guaranteed benefit levels for insolvent plans.

PBGC must process all SFA applications within 120 days of receipt. Upon PBGC's approval of the plan's application, PBGC will pay the SFA funds to the plan with no requirement for repayment, unless due to a clerical or mathematical error. To accurately reflect the impact of SFA eligibility on PBGC's accrued and contingent liability, multiemployer plans expected to be eligible and eventually approved for SFA are not considered high risk and will be classified as remote.

Since the SFA funding to eligible plans will likely enable the plans to pay benefits due through plan year 2051, SFA eligible plans are no longer considered to be in the high-risk category as defined by either (1) projected insolvency over the next 20 years, (2) currently classified as critical and declining status, or (3) meeting the projected insolvency thresholds as defined in PBGC's procedures. Therefore, the end result is that these SFA eligible plans are classified as remote and not presented within PBGC's financial statements.

In FY 2023, there was one traditional financial assistance liability removed from the multiemployer insolvent category due to the plan's eligibility for SFA. Separately, there were no plans removed from the probable category due to the plans' eligibility for SFA.

MPRA provides that certain plans may apply to the U.S. Department of the Treasury (Treasury) to suspend benefits, and provides for a participant vote on the benefit suspension. These plans also may apply to PBGC for financial assistance: either for a facilitated merger or a partition. Plans applying for a partition are also required to apply to Treasury for a suspension of benefits. These actions do not affect the determination of the nonrecoverable future financial assistance liability until approval has been granted and Treasury has issued the final authorization to suspend benefits. In the case of a benefit suspension application, the plan is no longer classified as probable once Treasury has issued the final authorization to suspend benefits. Separately, in the case of a partition application, the original plan is no longer classified as probable once PBGC has approved the application and Treasury has issued the final authorization to suspend benefits.

As of September 30, 2023, the Corporation expects that 123 individually identified multiemployer plans have exhausted or will exhaust plan assets and need financial assistance from PBGC to pay guaranteed benefits and plan administrative expenses. The present value of nonrecoverable future financial assistance for these 123 plans is $2,211 million (inclusive of the reserve for small ongoing plan losses not individually identified). The 123 plans fall into three categories: (1) plans currently receiving financial assistance (whether terminated or not); (2) plans that have terminated but have not yet started receiving financial assistance from PBGC; and (3) ongoing plans (not terminated) that the Corporation expects will require financial assistance in the future. The latter two categories are comprised of multiemployer probables as defined by the following classification criteria:

- Probable insolvent plan-terminated future probables: Plans that have terminated but have not yet started receiving financial assistance may still have assets, but the combination of plan assets and collectible payments of withdrawal liability are projected to be insufficient to cover plan benefits plus expenses.
- Probable insolvent plan-ongoing future probables: Ongoing plans with a projected date of insolvency within 10 years. Small plans with fewer than 2,500 participants are excluded from the plan count for this category. The liability for small plans is calculated on a plan-by-plan basis to determine a small plan bulk reserve.

MULTIEMPLOYER TRADITIONAL FINANCIAL ASSISTANCE

	September 30, 2023		September 30, 2022	
(Dollars in millions)	**Number of Plans**	**Net Liability**	Number of Plans	Net Liability
Plans currently receiving financial assistance	**90** [1]	**$1,622**	86	$1,551
Plans that have terminated but have not yet started receiving financial assistance (classified as probable)	**32** [2]	**386**	48	662
Ongoing plans (not terminated) that the Corporation expects will require financial assistance in the future (classified as probable)	**1** [3]	**203** [4]	2	177 [4]
Total	**123**	**$2,211**	136	$2,390

[1] A total of four plans were transferred from "Plans that have terminated but have not yet started receiving financial assistance (classified as probable)". One new plan was added to the inventory, which was then removed due to being eligible to receive Special Financial Assistance (SFA).
[2] Thirteen plans were removed from inventory because they had sufficient assets to meet their obligations (i.e., estimates indicate zero-dollar liability and no projected date of insolvency). This represents a change going forward from FY 2022 in PBGC's criteria for plans to be included in this category. Four plans were transferred to "Plans currently receiving financial assistance", and one new plan was added to the inventory.
[3] One plan was removed from inventory and re-classified as reasonably possible.
[4] "Ongoing plans" include a small unidentified probable bulk reserve of $163 million and $92 million for September 30, 2023, and September 30, 2022, respectively.

Of the 123 plans:

a) 90 plans have exhausted plan assets and are currently receiving financial assistance payments from PBGC. The present value of future financial assistance payments for these insolvent 90 plans is $1,622 million.

b) 32 plans have terminated but have not yet started receiving financial assistance payments from PBGC. Terminated multiemployer plans no longer have employers making regular contributions for covered work, though some plans continue to receive withdrawal liability payments from withdrawn employers. In general, PBGC records a loss for future financial assistance for any underfunded multiemployer plan that has terminated. The present value of future financial assistance payments for these 32 terminated plans is $386 million.

c) One plan is ongoing that the Corporation expects will require financial assistance in the future (classified as probable). The present value of future financial assistance payments for this one ongoing plan and the small unidentified probable bulk reserve is $203 million.

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

(Dollars in millions)	**September 30, 2023**	September 30, 2022
Balance at beginning of year	**$2,390**	$3,017
Changes in allowance:		
Losses (credits) from insolvent and probable plans - financial assistance[1]	**(10)**	(72)
Actuarial adjustments	**(37)**	(15)
Actuarial charges (credits) - Insolvent plans:		
Due to expected interest	**87**	10
Due to change in interest factors	**(66)**	(408)
Financial assistance granted (previously accrued)	**(32)**	(7)
Premium Waivers	**3**	2
Write-Offs of Financial Assistance	**-**	0 *
Change in allowance for plans that became eligible for SFA[2]	**(124)**	(128)
Financial assistance granted through MPRA merger[3]	**-**	(9)
Balance at end of year	**$2,211**	$2,390

*Less than $500,000

[1]This $10 million credit consists of $38 million in credits due to change in interest factors which resulted from increases in market rates, a $38 milion credit due to the transfer of one multiemployer probable plan to reasonably possible, a $24 million credit from expected benefit payments, and $22 million credit from change due to actuarial investment rates return. This was offset by a $72 million increase in the multiemployer small plan bulk reserve, $24 million in charges from expected interest on benefit liability, $16 million in charges from the addition of one new multiemployer probable plan, and $20 million net charges from other recurring acturial adjustments.

[2]This amount represents the traditional financial assistance that will be returned to PBGC due to the reduction to the allowance for uncollectible amounts relating to insolvent plans that became eligible for Special Financial Assistance (SFA).

[3]PBGC approved its first facilitated merger of two multiemployer plans under MPRA that resulted in an additional $9 million in financial assistance in FY 2022.

In the table above and on the financial statements, actuarial charges are reported separately from "Losses (credits) from insolvent and probable plans-financial assistance." As a result, the table includes the following lines: Actuarial adjustments, Due to expected interest, and Due to change in interest factors. Insolvent plans are presented within these three actuarial charges (credits) lines. "Losses (credits) from insolvent and probable plans-financial assistance" include plans that terminated but have not yet received financial assistance, ongoing plans that PBGC expects will require financial assistance in the future, and those insolvent plans that have a change in liability due to new plan data included in the valuation. PBGC uses a curve of interest factors to determine the actuarial Multiemployer Nonrecoverable Future Financial Assistance. See Note 6 for the table of yield curves shown in spot rate format.

Pursuant to ARP, PBGC will provide SFA, which is intended to help an eligible plan to pay full benefits through plan year 2051. Unlike the traditional financial assistance loans PBGC provides to multiemployer plans, SFA is in the form of a transfer of funds with no obligation of repayment. The SFA liability is recorded when the following conditions are met: (1) the initial application for SFA has been received by PBGC, (2) the multiemployer plan applicant has been determined to be eligible, (3) the application has been deemed to be complete, and (4) the application has been approved. The SFA liability is presented as a separate line item on the Statements of Financial Position.

Although the traditional financial assistance loans are not typically repaid, in order to receive the new Special Financial Assistance provided through ARP, eligible plans must repay their preexisting traditional financial assistance loans. Once collected into the PBGC revolving fund, these funds will not be available for obligation until subsequently apportioned.

NOTE 8: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table itemizes accounts payable and accrued expenses reported in the Statements of Financial Position:

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	Single-Employer Program		Multiemployer Program		Memorandom Total	
(Dollars in millions)	**Sept. 30, 2023**	Sept. 30, 2022	**Sept. 30, 2023**	Sept. 30, 2022	**Sept. 30, 2023**	Sept. 30, 2022
Payroll and annual leave	**$17**	$17	**$0 ***	$0 *	**$17**	$17
Accounts payable and accrued expenses	**76**	61	**4**	5	**80**	66
SFA – Payroll and annual leave	**n/a**	n/a	**1**	0 *	**1**	0 *
SFA – Accounts payable and accrued expenses	**n/a**	n/a	**2**	1	**2**	1
Total Accounts payable and accrued expenses	**$93**	$78	**$7**	$6	**$100**	$84

* Less than $500,000

NOTE 9: REASONABLY POSSIBLE CONTINGENCIES

SINGLE-EMPLOYER PLANS

Single-employer plans sponsored by companies whose credit quality is below investment grade pose a greater risk of being terminated than plans sponsored by companies with investment grade ratings. The estimated unfunded vested benefits exposure amounts disclosed represent PBGC's estimates of the reasonably possible (RP) exposure to loss given the inherent uncertainties about these plans.

In accordance with the FASB Accounting Standards Codification Section 450, *Contingencies*, PBGC classified a number of these companies that sponsor plans with total unfunded vested benefits of $50 million or more as reasonably possible rather than probable terminations, reflecting the sponsors' financial condition and other factors that did not indicate termination of their plans was likely. This classification was based upon information available about the companies as of September 30, 2023. PBGC's criteria for a single-employer plan sponsor to be classified as reasonably possible include one or more of the following:

a. The sponsor(s) or significant member(s) of its controlled group (e.g., a parent or major subsidiary) is in reorganization under Title 11 of the United States Code.

b. An application for a funding waiver is pending or outstanding with the IRS.

c. A minimum funding contribution has been missed.

d. The sponsor(s) or parent company has an S&P senior unsecured credit rating or an issuer credit rating of BB+ or below, or a Moody's senior unsecured credit rating, issuer credit rating, or corporate family rating of Ba1 or below. If the sponsor(s) or parent company does not have one of the ratings above, PBGC may use an industry specific rating such as an insurance financial strength rating, general obligation bond rating, or revenue bond rating.

e. The sponsor(s) or parent company has no credit rating but has a Dun & Bradstreet Failure Score of below 1477.

f. The sponsor(s) or parent company has no credit rating, but analysis indicates that its unsecured debt would be below investment grade.

g. Other (detailed explanation must be provided and be approved by PBGC's Contingency Working Group).

A reserve for the small unidentified reasonably possible exposure (companies that sponsor plans with less than $50 million in unfunded vested benefits) is calculated using an aggregate method to estimate exposure, rather than reviewing each company individually.

The estimate of the reasonably possible exposure to loss for the single-employer plans of these companies was determined using a measurement date of December 31, 2022. The reasonably possible exposure to loss was $25,657 million for FY 2023. This is a decrease of $26,375 million from the reasonably possible exposure of $52,032 million in FY 2022. This decrease is primarily due to the significant increase in the interest factors used for valuing liabilities as of the measurement date.

PBGC calculates the estimated unfunded vested benefit exposure to loss using the most recent data available from filings and submissions to the Corporation for plan years ended on or after December 31, 2021. The data used does not generally allow for PBGC-guaranteed benefit levels to be taken into account.

The table below shows a comparison of the December 31, 2022, and December 31, 2021, spot rate yield curves. Future payments are discounted by the single rate applicable for the future year in which the payment is expected to be made. For the December 31, 2022 measurement of reasonably possible exposure, the spot rate yield curve starts with an interest factor of 5.31% in year 1 and changes as the future period for discounting gets longer until year 30 and beyond when the factor becomes 5.13% and is assumed to remain level thereafter. For the December 31, 2021 measurement of RP exposure, the spot rate yield curve started with an interest factor of 0.93% in year 1 and the interest factor for year 30 and beyond was 2.35%.

CURVE OF SPOT RATES FOR DECEMBER 31, 2022 AND DECEMBER 31, 2021 MEASUREMENT OF SINGLE-EMPLOYER REASONABLY POSSIBLE EXPOSURE

Period (in Years)	12/31/2022	12/31/2021	Change		Period (in Years)	12/31/2022	12/31/2021	Change
1	5.31%	0.93%	4.38%		16	5.34%	2.55%	2.79%
2	5.17%	1.30%	3.87%		17	5.41%	2.58%	2.83%
3	5.12%	1.66%	3.46%		18	5.47%	2.60%	2.87%
4	5.09%	1.92%	3.17%		19	5.52%	2.61%	2.91%
5	5.06%	2.09%	2.97%		20	5.57%	2.62%	2.95%
6	5.04%	2.20%	2.84%		21	5.60%	2.63%	2.97%
7	5.03%	2.27%	2.76%		22	5.62%	2.62%	3.00%
8	5.03%	2.32%	2.71%		23	5.62%	2.61%	3.01%
9	5.03%	2.35%	2.68%		24	5.60%	2.59%	3.01%
10	5.05%	2.38%	2.67%		25	5.57%	2.56%	3.01%
11	5.07%	2.41%	2.66%		26	5.52%	2.53%	2.99%
12	5.11%	2.44%	2.67%		27	5.44%	2.49%	2.95%
13	5.16%	2.46%	2.70%		28	5.35%	2.44%	2.91%
14	5.22%	2.49%	2.73%		29	5.25%	2.40%	2.85%
15	5.28%	2.52%	2.76%		30	5.13%	2.35%	2.78%
					Longer Periods	5.13%	2.35%	2.78%

For the December 31, 2022 measurement of reasonably possible exposure, PBGC used the Pri-2012 Employee and Non-Disabled Annuitant mortality tables blended in accordance with 26 CFR § IRC 1.430(h)(3)-1(b)(2) and projected generationally with improvement scale MP-2021.

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

Note that the aforementioned interest factors used for the RP exposure are derived over a different point in time than the interest factors used for PBGC's Present Value of Future Benefits for trusteed plans recorded on the balance sheet and detailed in Note 6. Due to the amount of time required to develop the RP exposure, it is determined using a measurement date as of the prior December 31, rather than as of the fiscal year-end.

The underfunding associated with these plans could be substantially different at September 30, 2023, because of changes in economic conditions between December 31, 2022, and September 30, 2023. PBGC did not adjust the estimate for events that occurred between December 31, 2022, and September 30, 2023.

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

REASONABLY POSSIBLE EXPOSURE TO LOSS BY INDUSTRY (PRINCIPAL CATEGORIES)

(Dollars in millions)	**FY 2023**	FY 2022
Manufacturing	**$6,428**	$11,448
Transportation, Communication and Utilities	**11,416**	21,962
Services	**4,277**	10,845
Wholesale and Retail Trade	**488**	1,428
Health Care	**1,394**	3,123
Finance, Insurance, and Real Estate	**215**	807
Agriculture, Mining, and Construction	**1,439**	2,419
Total	**$25,657**	$52,032

MULTIEMPLOYER PLANS

Multiemployer plans that have become insolvent will require financial assistance. PBGC included amounts in the liability for the present value of nonrecoverable future financial assistance (see Note 7) for multiemployer plans that have become insolvent and for plans that PBGC estimated may require future financial assistance.

Reasonably possible multiemployer classification is defined as an ongoing plan with a projected insolvency date between 10 and 20 years from the valuation date. In FY 2023, PBGC estimated that it is reasonably possible that other multiemployer plans may require future financial assistance in the amount of $410 million, a $1,808 million decrease from the $2,218 million in FY 2022. The primary reason for the decrease in exposure was a net decrease in the number of plans classified as reasonably possible to seven plans on September 30, 2023, down from 12 plans classified as reasonably possible on September 30, 2022. The plans removed no longer meet the reasonably possible criteria as the plans experienced improved financial conditions due to better than expected investment returns, higher discount rates in valuing liabilities, and higher plan contributions. One of the plans was removed since it is eligible for SFA. Additionally, the reasonably possible aggregate reserve for small plans decreased by $390 million from $580 million at September 30, 2022, to $190 million at September 30, 2023. This was due to improved financial conditions of the plans, higher discount rates in valuing liabilities, and a change in the small plan bulk reserve estimation methodology. The number of small plans projected to become insolvent within 20 years decreased from 55 to 34. Utilizing the new small plan bulk reserve estimation methodology described in Note 7, the FY 2023 multiemployer reasonably possible small plan bulk reserve result is $190 million. Under the prior procedure, the multiemployer reasonably possible small plan bulk reserve would have resulted in $251 million.

PBGC calculated the future financial assistance liability for each multiemployer plan identified as probable (see Note 7), or reasonably possible. PBGC used a formula to calculate the present value of guaranteed future benefits and expense payments, net of any future contributions or withdrawal liability payments. These amounts were as of the later of September 30, 2023, or the projected date of plan insolvency, discounted back to September 30, 2023, utilizing the curve of spot rates presented in Note 6. PBGC's identification of plans that are likely to require such assistance and estimation of related amounts required consideration of many complex factors, including estimating future cash flows, future investment returns, future mortality rates, and retirement age of participants not in pay status. These factors are affected by future events, including actions by plans and their sponsors, most of which are beyond PBGC's control.

Both the probable liability and reasonably possible exposure are determined differently for different plan sizes, with a change to the methodology for small plans effective for FY 2023 (see Note 7).

For small plans (less than 2,500 participants) and medium-sized plans (2,500 to 35,000 participants), risk-based rules are applied using a cash-flow model to derive the reasonably possible exposure. For large plans (more than 35,000 participants), PBGC identifies ongoing high-risk plans and then calculates projected dates of insolvency for these plans to measure the reasonably possible exposure.

NOTE 10: LEASES

PBGC has three real property operating leases for its headquarter office and field benefit administrators' facilities totaling $157.4 million in future lease commitments. These leases provide for periodic rate increases based on increases in operating costs and real estate taxes over the base amount. PBGC has elected to apply the practical expedient combining lease and non-lease components into one single lease component. PBGC's new headquarters is under a new 15-year leasing agreement (includes rent-free period in the beginning of the lease).

PBGC staff returned to the office beginning in the 2nd quarter of FY 2023. The two field benefit administrators' facilities initial lease terms were 5-years (currently in a month-to-month hold-over agreement) and 2-years (with a one-year option to extend exercised for the 2-year lease). The minimum future lease payments for PBGC facilities having non-cancellable terms in excess of one year as of September 30, 2023, are as follows:

FUTURE LEASE PAYMENTS

(Dollars in millions)	
Years Ending September 30,	Operating Leases
2024	$0.2
2025	7.4
2026	13.3
2027	13.3
2028	13.3
Thereafter	109.9
Undiscounted Minimum lease payments[1]	$157.4
Discount[2]	(17.6)
Discounted Minimum lease payments	$139.8

[1]The minimum lease payments are comprised of the payments that the PBGC is obligated to make or can be required to make in connection with the leased property excluding executory costs such as operating expenses, insurance, and real estate.

[2] The discount is determined by the risk-free rate at the date of the lease commencement.

Lease expenses for operating leases were $12.0 million in FY 2023, and $12.9 million in FY 2022. For FY 2023, $0.1 million was allocated to SFA operating lease expense. Additionally, for FY 2023, PBGC has no finance leases.

CASH PAYMENTS FOR LEASES FOR THE YEAR ENDED SEPTEMBER 30, 2023

(Dollars in millions)	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$3.0
Operating cash flows from finance leases	-
Total cash payments for Leases	$3.0

NEW LEASES ACQUIRED FOR THE YEAR ENDED SEPTEMBER 30, 2023

(Dollars in millions)	
Right-of-Use Assets obtained in exchange for lease obligations:	
Operating Leases[3]	$ -
Finance Leases[3]	-
Total New Leases Acquired	$ -

[3]No operating leases nor finance leases commenced in FY 2023.

LEASE RIGHT-OF-USE ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2023

(Dollars in millions)	
Leases:	
Operating Lease Right-of-Use Assets	$130.9
Finance Lease Right-of-Use Assets	-
Total Lease Right-of-Use-Assets	$130.9[4]

[4]Please see Note 16 for additional information on Lease Right-of-Use-Assets.

CURRENT AND NONCURRENT LEASE LIABILITIES FOR THE YEAR ENDED SEPTEMBER 30, 2023

(Dollars in millions)	
Current and NonCurrent Lease Liabilities:	
Current Operating Lease Liabilities	$ 0.2
NonCurrent Operating Lease Liabilities	139.6
Subtotal Operating Lease Liabilities	$139.8
Current Finance Lease Liabilities	$ -
NonCurrent Finance Lease Liabilities	-
Subtotal Finance Lease Liabilities	$ -
Total Current and NonCurrent Lease Liabilities	$139.8

WEIGHTED AVERAGES OF LEASES FOR THE YEAR ENDED SEPTEMBER 30, 2023

(Dollars in millions)	
Weighted Average for the Remaining Lease Term:	
Operating Leases	14.14 Years
Finance Leases	-
Weighted Average for the Risk-Free Rate:	
Operating Leases	1.74%
Finance Leases	-

NOTE 11: PREMIUMS

For both the Single-Employer and Multiemployer Programs, ERISA provides that PBGC continues to guarantee basic benefits despite the failure of a plan administrator to pay premiums when due. PBGC assesses interest and penalties on the late or unpaid portion of premiums. Interest continues to accrue until the premium and the interest due are paid, see Note 2 under Premiums for PBGC's premium revenue accounting policy. For plan years beginning in 2023, the per-participant flat rate premium was $96 for single-employer pension plans and $35 for multiemployer plans. For plan years 2022 and 2021, the per-participant flat rate premiums for single-employer pension plans were $88 and $86, respectively, and for multiemployer plans, $32 and $31, respectively.

Single-employer plans also have a variable rate premium (VRP) tied to the amount of underfunding, if any. For plan years beginning in 2023, the VRP rate was $52 per $1,000 of unfunded vested benefits (UVB) subject to an overall cap of $652 per participant. For plan years 2022 and 2021, the VRP rates were $48 and $46, respectively. Applicable caps for those plan years are shown in the table below.

The termination premium applies to certain plan terminations occurring after 2005. If a single-employer pension plan terminates in a distress termination pursuant to ERISA section 4041(c)(2)(B)(ii) or (iii), or in a PBGC-initiated termination under ERISA section 4042, the plan sponsor and its controlled group are liable to PBGC for a termination premium at the rate of $1,250 per plan participant per year for three years.

The $5,965 million in net premium income for FY 2023 consisted of $3,728 million in variable rate premiums, $2,254 million in flat rate premiums, $3 million in termination premiums, and $2 million in interest and penalty income; offset by $22 million to bad debt expense. Bad debt expenses include a reserve for uncollectible premium receivables (including flat, variable, termination premiums, and insolvent multiemployer plans), interest, and penalties.

Net premium income for FY 2023 was $5,965 million, a year over year increase of $1,040 million due primarily to 1) higher premium rates for both flat and variable rate premiums; and 2) declining conditions of the plans' underfunding (i.e., higher Unfunded Vested Benefits (UVBs)).

Net premium income for FY 2022 was $4,925 million and consisted of $2,762 million in variable rate premiums, $2,163 million in flat rate premiums, $22 million in termination premiums, and $1 million in interest and penalty income; offset by $23 million to bad debt expense. Bad debt expenses include a reserve for uncollectible premium receivables (including flat, variable, termination premiums, and insolvent multiemployer plans), interest, and penalties.

The following table shows the premium rates for 2021 through 2023:

PREMIUM RATES FOR SINGLE-EMPLOYER AND MULTIEMPLOYER PLANS

	Single-Employer Plans			Multiemployer Plans
	Flat Rate Premium	Variable Rate Premium		
Plan Years Beginning in	Rate Per Participant	Rate per $1,000 Unfunded Vested Benefits	Per Participant Cap	Flat Rate Premium Rate Per Participant
2023	$96	$52	$652	$35
2022	$88	$48	$598	$32
2021	$86	$46	$582	$31

Premium income is accrued for months in which a plan year overlaps the fiscal year. Because of this rule, premiums for 2021, 2022, and 2023 plan years are accrued in FY 2023, and premium rates change each calendar year, so three sets of premium rates were used to calculate FY 2023 premium revenue.

For example, consider a plan with a September 1, 2022 to August 31, 2023 plan year. Only the first month of that plan year occurs during FY 2022, so 1/12 of the plan's premium was accrued in FY 2022 and 11/12 accrued in FY 2023. Similarly, for a plan with a December 1, 2021 to November 30, 2022 plan year, the last two months of that plan year occur during FY 2023, so 2/12 of the plan's premium income was accrued in FY 2023 and 10/12 was accrued in FY 2022.

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

Net Premiums Receivable

(Dollars in millions)	Single-Employer Program **Sept. 30, 2023**	Single-Employer Program Sept. 30, 2022	Multiemployer Program **Sept. 30, 2023**	Multiemployer Program Sept. 30, 2022	Memorandum Total **Sept. 30, 2023**	Memorandum Total Sept. 30, 2022
Premiums Not Yet Due:						
Estimated Flat-Rate Premiums	**$1,102**	$974	**$211**	$193	**$1,313**	$1,167
Estimated Variable-Rate Premiums	**2,374**	1,614	**-**	-	**2,374**	1,614
Total Net Premiums Not Yet Due	**3,476**	2,588	**211**	193	**3,687**	2,781
Premiums Past Due:						
Flat-Rate Premiums	**176**	203	**12**	7	**188**	210
Allowance for Bad Debt-Flat-Rate	**(2)**	(2)	**0 ***	0 *	**(2)**	(2)
Variable-Rate Premiums	**468**	302	**-**	-	**468**	302
Allowance for Bad Debt-Variable-Rate	**(5)**	(3)	**-**	-	**(5)**	(3)
Total Net Premiums Past Due	**637**	500	**12**	7	**649**	507
Termination Premiums:[1]						
Termination Premiums	**352**	350	**-**	-	**352**	350
Allowance for Bad Debt-Termination	**(299)**	(283)	**-**	-	**(299)**	(283)
	53	67	**-**	-	**53**	67
Interest and Penalty:						
Interest and Penalty Due	**2**	2	**0 ***	0 *	**2**	2
Allowance for Bad Debt-Int/Penalty	**(1)**	(1)	**0 ***	0 *	**(1)**	(1)
Total Net Interest and Penalty Due	**1**	1	**0 ***	0 *	**1**	1
Grand Total Net Premiums Receivable	**$4,167**	$3,156	**$223**	$200	**$4,390**	$3,356

* Less than $500,000

[1] All termination premiums are due from plan sponsors that are either in distress or under Chapter 11 reorganization. In these cases, PBGC files claims in accordance with bankruptcy law along with all other creditors and is entitled only to a pro-rata share of any remaining assets. Depending on the circumstances of the bankruptcy proceedings, it can be years before PBGC receives its pro-rata distribution from the bankruptcy estate. In most cases, PBGC ultimately receive either nothing or only a very small fraction of its total claims filed.

The following tables present a year-to-year comparison of key premium income information.

PREMIUM INCOME BY PREMIUM TYPE

(Dollars in millions)	**September 30, 2023**	September 30, 2022
Flat-Rate Premium:		
Single-Employer	**$1,883**	$1,821
Multiemployer	**371**	342
Total Flat-Rate Premium	**2,254**	2,163
Variable-Rate Premiums	**3,728**	2,762
Interest and Penalty Income	**2**	1
Termination Premium	**3**	22
Less Bad Debts for Premiums, Interest, and Penalties	**(22)**	(23)
Total Net Premiums	**$5,965**	$4,925

PREMIUM INCOME BY PROGRAM

(Dollars in millions)	**September 30, 2023**	September 30, 2022
Single-Employer:		
Flat-Rate and Variable-Rate Premiums	**$5,611**	$4,583
Interest and Penalty Income	**2**	1
Termination Premiums	**3**	22
Less Bad Debts for Premiums, Interest, and Penalties	**(19)**	(20)
Total Single-Employer	**5,597**	4,586
Multiemployer:		
Flat-Rate Premiums	**371**	342
Interest and Penalty Income	**0 ***	0 *
Less Bad Debts for Premiums, Interest, and Penalties	**(3)**	(3)
Total Multiemployer	**368**	339
Total Net Premiums	**$5,965**	$4,925

* Less than $500,000

NOTE 12: LOSSES (CREDITS) FROM COMPLETED AND PROBABLE TERMINATIONS

Amounts reported as losses are the present value of future benefits less related plan assets and the present value of expected recoveries from sponsors. The following table details the components that make up the losses:

LOSSES (CREDITS) FROM COMPLETED AND PROBABLE TERMINATIONS – SINGLE-EMPLOYER PROGRAM

	For the Years Ended September 30,					
	2023			2022		
(Dollars in millions)	**New Terminations**	**Changes in Prior Years' Terminations[5]**	**Total**	New Terminations	Changes in Prior Years' Terminations[5]	Total
Present value of future benefits	**$257**	**($2,383)**	**($2,126)**	$600	$13	$613
Less plan assets	**235**	**(3,282)**	**(3,047)**	318	37	355
Plan asset insufficiency	**22[1]**	**899**	**921**	282	(24)	258
Less estimated recoveries	**-**	**37**	**37**	-	(24)	(24)
Subtotal	**22[2]**	**862**	**884**	282[2]	0	282
Settlements and judgments		**0*[6]**	**0*[6]**		0*[6]	0*[6]
Loss (credit) on probables	**171[3]**	**(106)[4]**	**65**	(132)[3]	99[4]	(33)
Total	**$193**	**$756**	**$949**	$150	$99	$249

* Less than $500,000

[1] Includes Missing Participant Program activity; if excluded the Present value of future benefits for New Terminations would be $156 million, Plan assets $134 million and Plan asset insufficiency $22 million.

[2] Net claim for plans terminated during the fiscal year (21 plans at September 30, 2023, and 32 plans at September 30, 2022), will include terminated plans that were previously recorded as probable.

[3] Includes net claims for plans that are currently classified as probable, plans that were previously recorded as probable that have since terminated and plans that were deleted.

[4] Changes to the single-employer small plan unidentified probables bulk reserve.

[5] Changes in prior years' terminations result from revaluations of DOPT assets (e.g., as identified in the plan asset reconciliation process), changes in plan recoveries at DOPT (e.g., from an estimated recovery amount to an expected recovery amount), and changes in DOPT PVFB (e.g., new liability data) for plans with termination dates prior to the current fiscal year in which they were added to PBGC's inventory of terminated plans.

[6] PBGC determined that it is highly unlikely more than half of the total potential future Page/Collins settlement liability will be paid. Accordingly, PBGC estimates that PBGC's future Page/Collins settlement liability is $17 million for both September 30, 2023, and September 30, 2022, respectively.

NOTE 13: FINANCIAL INCOME

The following table details the Memorandum Total financial income by type of investment for both the Single-Employer and Multiemployer Programs:

INVESTMENT INCOME SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS

(Dollars in millions)	**Single-Employer Program Sept. 30, 2023**	**Multiemployer Program Sept. 30, 2023**	**Memorandum Total Sept. 30, 2023**	Single-Employer Program Sept. 30, 2022	Multiemployer Program Sept. 30, 2022	Memorandum Total Sept. 30, 2022
Fixed maturity securities:						
Interest earned	**$3,409**	**$20**	**$3,429**	$2,629	$30	$2,659
Realized gain (loss)	**(2,353)**	**-**	**(2,353)**	(2,460)	-	(2,460)
Unrealized gain (loss)	**1,112**	**(22)**	**1,090**	(19,474)	(278)	(19,752)
Total fixed maturity securities	**2,168**	**(2)**	**2,166**	(19,305)	(248)	(19,553)
Equity securities:						
Dividends earned	**117**	**-**	**117**	104	-	104
Realized gain (loss)	**1,160**	**-**	**1,160**	449	-	449
Unrealized gain (loss)	**1,371**	**-**	**1,371**	(4,208)	-	(4,208)
Total equity securities	**2,648**	**-**	**2,648**	(3,655)	-	(3,655)
Private equity:						
Distributions earned	**2**	**-**	**2**	1	-	1
Realized gain (loss)	**22**	**-**	**22**	30	-	30
Unrealized gain (loss)	**(35)**	**-**	**(35)**	(25)	-	(25)
Total private equity	**(11)**	**-**	**(11)**	6	-	6
Real estate:						
Distributions earned	**44**	**-**	**44**	49	-	49
Realized gain (loss)	**(23)**	**-**	**(23)**	119	-	119
Unrealized gain (loss)	**(42)**	**-**	**(42)**	(397)	-	(397)
Total real estate	**(21)**	**-**	**(21)**	(229)	-	(229)
Other income:						
Distributions earned	**5**	**-**	**5**	25	-	25
Realized gain (loss)	**14**	**-**	**14**	3	-	3
Unrealized gain (loss)	**(3)**	**-**	**(3)**	123	-	123
Total other income	**16**	**-**	**16**	151	-	151
Total investment income	**$4,800**	**($2)**	**$4,798**	($23,032)	($248)	($23,280)

NOTE 14: EMPLOYEE BENEFIT PLANS

All of PBGC's permanent full-time and part-time employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Full-time and part-time employees with less than five years of service under CSRS and hired after December 31, 1983, are automatically covered by both Social Security and FERS. Employees hired before January 1, 1984, participate in CSRS unless they elected and qualified to transfer to FERS. Employees hired during the 2013 calendar year or rehired with less than five years of civilian service that is potentially creditable under FERS participate in FERS-Revised Annuity Employees (FERS-RAE). These employees are still generally considered part of the same pension system but are uniquely identified in human resources and payroll systems to annotate their higher contribution rate. Additionally, under the Bipartisan Budget Act of 2013, a new category of FERS employees was created: FERS-Further Revised Annuity Employees or FERS-FRAE. This pension system is again generally the same, only the contribution rate is changed. As with FERS-RAE employees, human resources and payroll systems use unique identifiers to annotate this higher contribution rate.

Total retirement plan expenses amounted to $35 million in FY 2023 and $34 million in FY 2022. These financial statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to PBGC's employees. These amounts are reported by the U.S. Office of Personnel Management (OPM) and are not allocated to the individual employers. OPM accounts for federal health and life insurance programs for those eligible retired PBGC employees who had selected federal government-sponsored plans. PBGC does not offer other supplemental health and life insurance benefits to its employees.

NOTE 15: CASH FLOWS

The following table consists of detailed cash flows from the sales and purchases of investments. Sales and purchases of investments are driven by the magnitude and investment composition of newly trusteed plans, the unique investment strategies implemented by PBGC's investment managers, and the varying capital market conditions in which they invest during the year. These cash flow numbers can vary significantly from year to year based on the fluctuation in these three variables.

INVESTING ACTIVITIES (SINGLE-EMPLOYER AND MULTIEMPLOYER PROGRAMS MEMORANDUM TOTAL)

(Dollars in millions)	September 30, 2023	2022
Proceeds from sales of investments:		
Fixed maturity securities	**$123,892**	$130,494
Equity securities	**7,323**	4,320
Other/uncategorized	**12,889**	12,649
Memorandum total	**$144,104**	$147,463
Payments for purchases of investments:		
Fixed maturity securities	**($123,827)**	($132,627)
Equity securities	**(4,596)**	(3,669)
Other/uncategorized	**(12,465)**	(11,871)
Memorandum total	**($140,888)**	($148,167)

The following is a reconciliation between the net income as reported in the Statements of Operations and net cash provided by operating activities as reported in the Statements of Cash Flows.

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Single-Employer Program		Multiemployer Program		Memorandum Total	
	September 30,		September 30,		September 30,	
(Dollars in millions)	**2023**	2022	**2023**	2022	**2023**	2022
Net income (loss)	**$8,041**	$5,637	**$398**	$577	**$8,439**	$6,214
Adjustments to reconcile net income to net cash provided by operating activities:						
Net (appreciation) decline in fair value of investments	**(1,022)**	25,265	**25**	251	**(997)**	25,516
Net (gain) loss of plans pending termination and trusteeship	**(273)**	576	**-**	-	**(273)**	576
Losses (credits) on completed and probable terminations	**949**	249	**-**	-	**949**	249
Actuarial charges (credits)	**876**	(24,916)	**-**	-	**876**	(24,916)
Benefit payments - trusteed plans	**(6,320)**	(6,884)	**-**	-	**(6,320)**	(6,884)
Settlements and judgments	**-**	-	**-**	-	**-**	-
Cash received from plans upon trusteeship	**12**	36	**-**	-	**12**	36
Receipts from sponsors/non-sponsors	**76**	83	**-**	-	**76**	83
Receipts for missing participants and other	**127**	94	**-**	-	**127**	94
EL/DUEC Trusteeship interest (non-cash)	**(14)**	(20)	**-**	-	**(14)**	(20)
Cash receipts timing from Trust to Revolving	**-**	-	**-**	-	**-**	-
Amortization of discounts/premiums	**(59)**	197	**(1)**	2	**(60)**	199
Amortization and Depreciation expense	**22**	11	**-**	-	**22**	11
Bad debt expense/Write-offs (net)	**3**	20	**-**	-	**3**	20
Changes in assets and liabilities, net of effects of trusteed and pending plans:						
(Increase) decrease in receivables	**(1,061)**	(181)	**123**	132	**(938)**	(49)
Increase in present value of nonrecoverable future financial assistance	**-**	-	**(179)**	(627)	**(179)**	(627)
Increase (decrease) in unearned premiums	**10**	15	**1**	(4)	**11**	11
Increase (decrease) in accounts payable	**15**	(12)	**1**	4	**16**	(8)
(Increase) decrease in leases right-of-use assets	**(131)**	-	**-**	-	**(131)**	-
Increase (decrease) in leases payable	**140**	-	**-**	-	**140**	-
Net cash provided (used) by operating activities	**$1,391**	$170	**$368**	$335	**$1,759**	$505

NOTE 16: OTHER ASSETS

CAPITALIZED ASSETS, NET

The following tables display Property and Equipment, net and the Operating Lease Right-of-Use-Assets. The "Capitalized assets, net" line item on the Statements of Financial Position consists of the following components:

PROPERTY AND EQUIPMENT, NET

FY 2023	September 30, 2023 Single-Employer			September 30, 2023 Multiemployer			September 30, 2023 Memorandum Total		
(Dollars in millions)	Cost	Accumulated Depreciation/ Amortization	Net	Cost	Accumulated Depreciation/ Amortization	Net	Cost	Accumulated Depreciation/ Amortization	Net
Furniture and Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Mechanical Equipment	-	-	-	-	-	-	-	-	-
ADP Equipment	6	(4)	2	0 *	0 *	0 *	6	(4)	2
Internal Use Software - In Development	21	n/a	21	0 *	n/a	0 *	21	n/a	21
Internal Use Software	181	(154)	27	3	(2)	1	184	(156)	28
Lease Right-of-Use-Assets[1]	131	-	131	-	-	-	131	-	131
Total	$339	($158)	$181	$3	($2)	$1	$342	($160)	$182

FY 2022	September 30, 2022 Single-Employer			September 30, 2022 Multiemployer			September 30, 2022 Memorandum Total		
(Dollars in millions)	Cost	Accumulated Depreciation/ Amortization	Net	Cost	Accumulated Depreciation/ Amortization	Net	Cost	Accumulated Depreciation/ Amortization	Net
Furniture and Equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Mechanical Equipment	-	-	-	-	-	-	-	-	-
ADP Equipment	6	(4)	2	0 *	0 *	0 *	6	(4)	2
Internal Use Software - In Development	13	n/a	13	0 *	n/a	0 *	13	n/a	13
Internal Use Software	172	(144)	28	3	(2)	1	175	(146)	29
Lease Right-of-Use-Assets[1]	-	-	-	-	-	-	-	-	-
Total	$191	($148)	$43	$3	($2)	$1	$194	($150)	$44

* Less than $500,000

Combined depreciation and amortization expense were $23 million for FY 2023, and $11 million for FY 2022. The Memorandum Total for "Capitalized assets, net" on the Statements of Financial Position consist of the components above.

[1]Lease Right-of-Use-Assets referenced in the table above are classified as Operating Leases only. For FY 2023, PBGC has no finance leases at this time.

As required under ASC 842-20-45-2, PBGC's Lease Right-of-Use Assets for Operating Leases are disclosed in the table above, as the Lease Right-of-Use Assets are not separately presented in the Statements of Financial Position. No amortization expense is associated with an operating lease; rather the right-of-use asset is adjusted for the difference between the straight-line rent expense (disclosed in Note 10) and the present value of the future minimum lease payments (disclosed in Note 10).

COMBINED (MEMORANDUM TOTAL) PROPERTY AND EQUIPMENT, NET

(Dollars in millions)	September 30, 2023		2022	
Combined property and equipment, net at beginning of year		**$44**		$37
Capitalized Acquisitions and new Lease ROU Assets	**161**		29	
Dispositions	**(13)**		(16)	
Depreciation/Amortization	**(10)**		(6)	
Net change of property and equipment		**138**		7
Combined property and equipment, net at end of year		**$182**		$44

RECEIVABLES FROM SPONSORS OF TERMINATED PLANS

The following table displays the detail of Receivables, net from sponsors of terminated plans that represents the amounts due from the plan sponsor and its controlled group for the statutory minimum funding contributions owed to the plan, Due and Unpaid Employer Contributions (DUEC), and unfunded benefit liabilities of the plan, Sponsors' Employer Liability (EL). These notes and other receivables for DUEC and EL result from the execution of an approved settlement agreement with the plan sponsors and controlled group, final court order resolving PBGC claims, a confirmed plan of reorganization that sets forth the treatment of PBGC claims, or other circumstances in which significant uncertainties regarding the value of PBGC claims have been removed.

The effective interest rate varies with each settlement agreement. The interest rate for discounting the future payments to the settlement date is a risk-adjusted rate.

RECEIVABLES FROM SPONSORS OF TERMINATED PLANS

(Dollars in millions)	**Sept. 30 2023**	Sept. 30 2022
Sponsors' Employer Liability	**$15**	$19
Due and Unpaid Employer Contributions	**3**	2
Total	**$18**	$21

OTHER RECEIVABLES

Other receivables of $65 million consists primarily of $43 million of previously paid traditional financial assistance and $6 million of interest, which is expected to be repaid by SFA eligible plans upon PBGC's approval of the plan's SFA application and payment of SFA.

NOTE 17: LITIGATION

Legal challenges to PBGC's policies and positions continued in FY 2023. At the end of the fiscal year, PBGC had 18 active cases in state and federal courts and 122 bankruptcy and state receivership cases.

PBGC records as a liability on its financial statements an estimated cost for unresolved litigation to the extent that losses in such cases are probable and estimable in amount. PBGC cannot state with certainty the losses it could incur in the event it does not prevail in these matters.

NOTE 18: MULTIEMPLOYER SPECIAL FINANCIAL ASSISTANCE (SFA) CONTRIBUTED TRANSFER APPROPRIATION

On March 11, 2021, under the American Rescue Plan (ARP) Act of 2021, PBGC received an indefinite appropriation and receives annual transfers from the U.S. Treasury's General Fund to be applied for Special

Financial Assistance (SFA) and SFA administration costs. The funds transferred to PBGC in the SFA appropriation are deemed a contribution from the U.S. Government to PBGC. As there are conditions that must be met before PBGC can utilize these funds, the funds are initially recorded as Contributed Transfer Appropriation (equity). Revenue is recognized from the SFA appropriations when all conditions and restrictions placed on the appropriated SFA funds are met. Once the SFA application is approved, the contribution is classified as Contributed Transfer Appropriation Income. The separate payment of SFA from PBGC to a multiemployer plan is not viewed as a PBGC contribution to the multiemployer plan, but as a SFA payment consistent with requirements of ARP and related PBGC regulations. PBGC's position is that nothing is being exchanged given that coverage under our insurance programs are not predicated upon the payment of insurance premiums.

The following table shows a summary of the appropriation's transfers received from Treasury and the use of the funds as shown in the Contributed Transfer Appropriation account.

MULTIEMPLOYER CONTRIBUTED TRANSFER APPROPRIATION

(Dollars in millions)	**September 30, 2023**	September 30, 2022
Balance at beginning of year	**$6**	$3
Special financial assistance (SFA) - transfers received	**70,000**	48,389
Special financial assistance approved	**(45,907)**	(7,555)
SFA administrative expense - transfers received	**34**	28
SFA administrative expense	**(18)**	(11)
SFA unused funds returned to U.S.Treasury	**(24,107)**	(40,848)
Balance at end of period	**$8**	$6

Unused SFA funds at fiscal year-end are to be returned to the U.S. Treasury's General Fund.

NOTE 19: SUBSEQUENT EVENTS

PBGC evaluated subsequent events through publication on November 15, 2023, the date the financial statements were available to be issued. Events or transactions for either the Single-Employer or Multiemployer Program, occurring after September 30, 2023, and before the financial statements were available to be issued, that provided additional evidence about conditions that existed as of September 30, 2023, have been recognized in the financial statements.

SINGLE-EMPLOYER PROGRAM

For the fiscal year ended September 30, 2023, there were no non-recognized subsequent events to report on the Single-Employer Program that provided evidence about conditions that did not exist on September 30, 2023, and which arose before the financial statements were available to be issued.

MULTIEMPLOYER PROGRAM

For the Multiemployer Program, there were two non-recognized subsequent events or transactions that provided evidence about conditions that did not exist as of September 30, 2023, and which arose before the financial statements were available to be issued. Two plans were approved to receive Special Financial Assistance (SFA) totaling $68 million. Had these events occurred on or prior to September 30, 2023, PBGC's Statements of Financial Position would have reflected:

- An increase of $68 million in SFA restricted cash, offset by an increase of $68 million in SFA liability.

Consequently, the Statements of Operations would have reflected:

- An increase of $68 million in SFA contributed transfer appropriation income (revenue recognized from the SFA appropriations when all the conditions and restrictions placed on the appropriated SFA funds are met), offset by an increase of $68 million in SFA expenses.

If these events had occurred on or prior to September 30, 2023, the results would have had no financial impact to the Multiemployer's Cumulative Results of Operations.

This page intentionally left blank.

Audit of the Pension Benefit Guaranty Corporation's

Fiscal Year 2023 and 2022 Financial Statements

Audit Report AUD-2024-02

Section III

Management Comments

This page intentionally left blank.

PBGC
Protecting America's Pensions
Pension Benefit Guaranty Corporation
445 12th Street SW, Washington, DC 20024-2101
Office of the Director

November 15, 2023

MEMORANDUM

To: Nick Novak
Inspector General

From: Gordon Hartogensis
Director

Subject: Response to the Independent Auditor's Combined Audit Report for the FY 2023 Financial Statement Audit

Thank you, once again this year, for the opportunity to comment on the Office of Inspector General's FY 2023 audit results regarding the agency's financial statements, internal controls, and compliance with laws and regulations. Given that PBGC protects the pensions of millions of American workers, retirees, and their families, it is especially noteworthy that our financial statements have once again received an unmodified opinion, as have our internal controls over financial reporting.

Your attention to this report is especially appreciated.

cc:
Kristin Chapman
Patricia Kelly
Ann Orr
David Foley
Alice Maroni
Karen Morris
Robert Scherer
John Hanley
Lisa Carter
Walter Luiza