



Pension Risk Transfer PBGC vs State Guaranty Association Protections

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When do PBGC Protections Come Into Play?

When the company sponsoring the pension benefits goes through bankruptcy or can't remain in business if they continue to fund benefits.

What are the PBGC Protections?

- 1 Participant's Age
- 2 Size of Benefit
- 3 Form of Payment

In 2024, for an age 65 year old with a single life annuity, the guaranty limit is approximately \$7,000 per month

State Guaranty Associations



Insurers participate in state guaranty associations that protect policies up to certain levels in the event of insurer failure

What are the SGA Protections?

1

Based on the Present Value of the Annuity

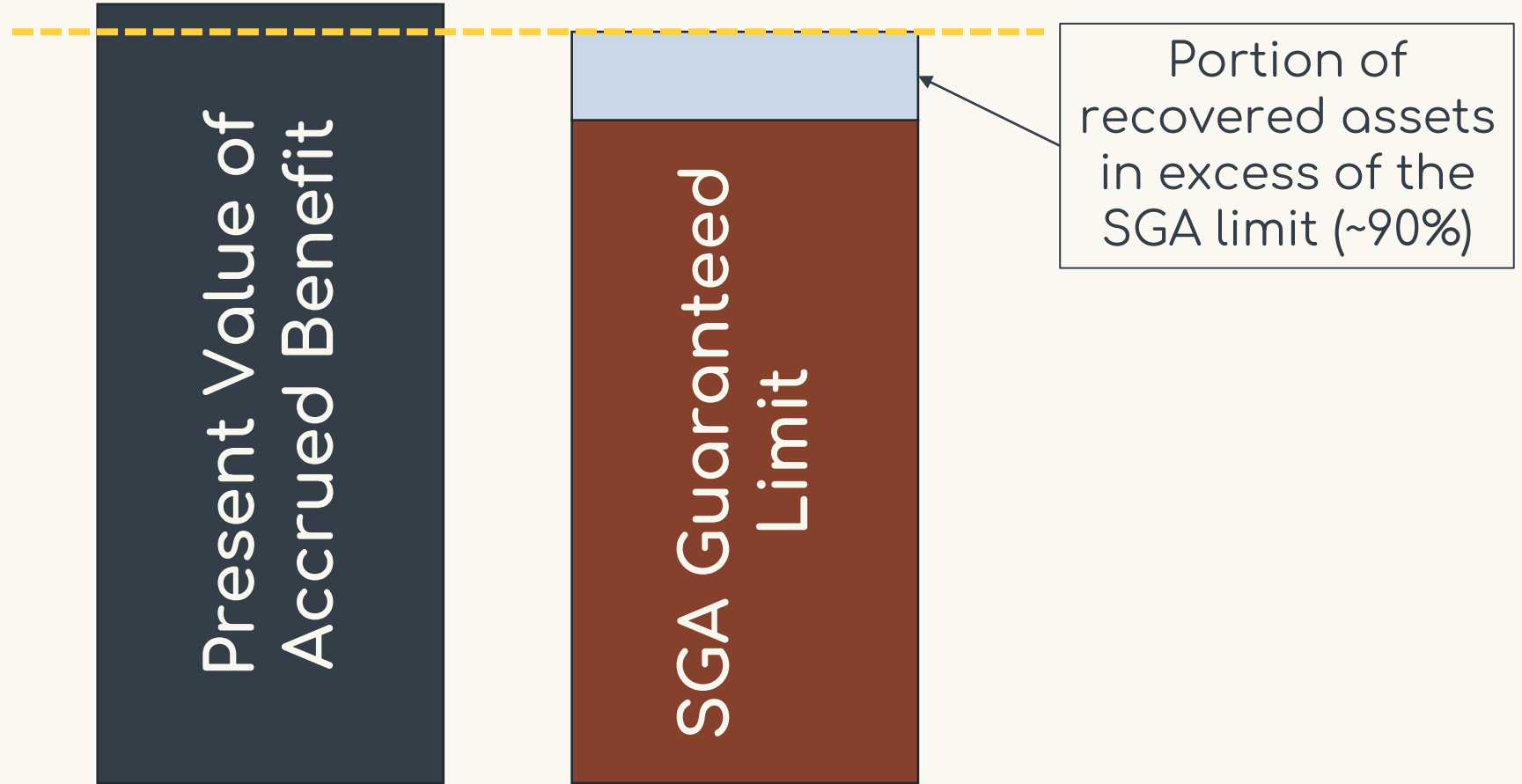
2

Generally, Not Less Than \$250,000

3

Varies State-by-State

Illustrations



What Does it Mean for an Insurance Company to Fail?

1

Insurance Companies Are Required to Have Capital in Excess of their Liabilities (Reserves)

2

Capital Has to Be Above Required Levels

3

An Insurer Fails When It Has Less Capital

4

Typically, the Insurer Still Has Assets When the Regulator Takes Over

What About Plan Sponsors that “Fail”?

Pension plans that are taken over by the PBGC typically have far less than 80% in assets to cover liabilities

Key Take-Aways



Both Systems
Provide
Meaningful Benefit
Protections

Which System
Provides the Better
Protection Will
Vary By Individual
Circumstances

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It's not "risk" when you know what you're
doing.



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Issued by Agilis Partners LLC
130 Turner Street, Building 3, Suite 510, Waltham, MA 02453
Telephone: 781-373-6900
Fax: 781-373-6902
Email: info@agilis.llc