

SFA Application Scorecard

Status as of May 16, 2023

Priority Group	1	2	3	5	6	None	Total
Total Expected Applications*	30	27	1	21	14	109	202
Approved	23	19	1	3	-	-	46
Under Review	3	6	-	10	12	5	36
Withdrawn	2	1	-	2	-	-	5
Denied	-	1	-	-	-	-	1
Expected Future Applications	2	-	-	6	2	104	114

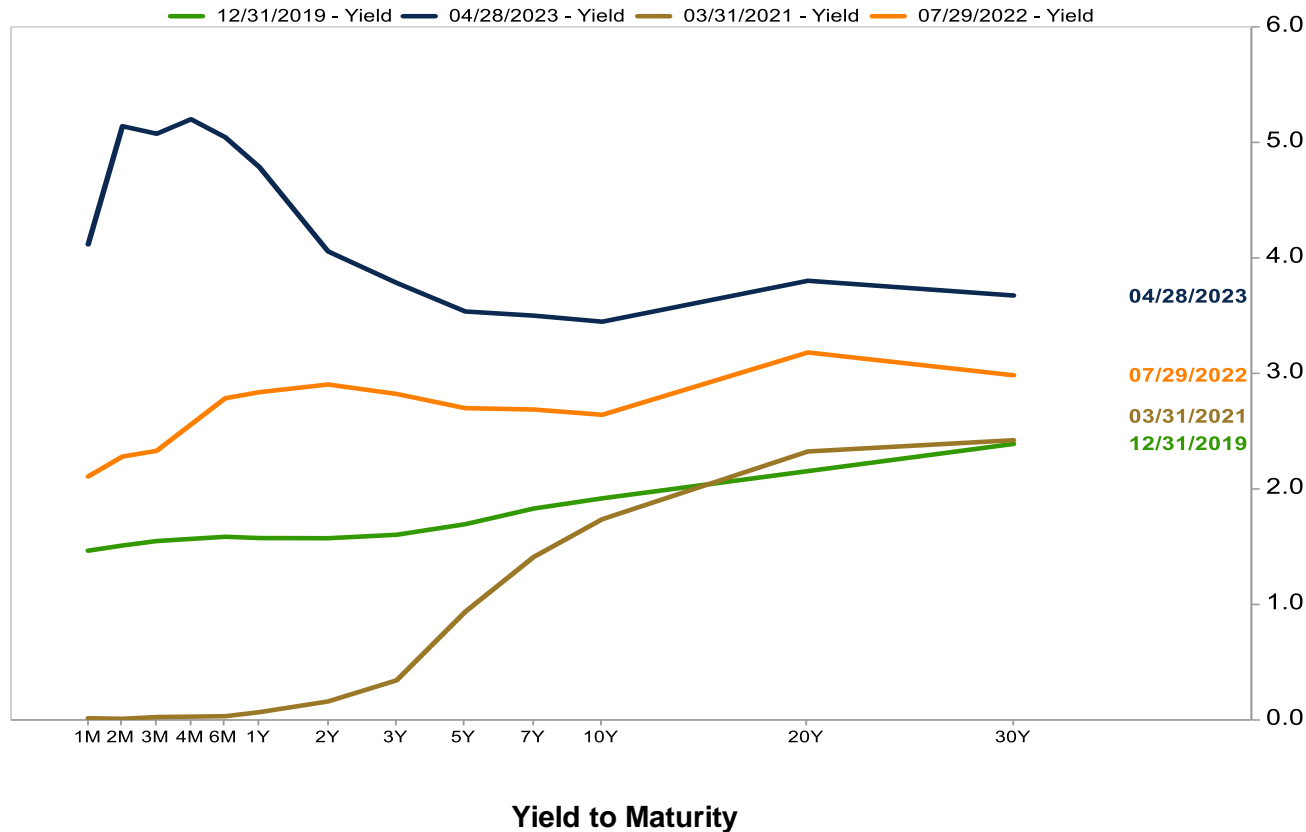
*Total expected counts for priority plans are per PBGC in a webinar hosted by American Academy of Actuaries on January 31, 2023; total expected counts for non-priority plans are those that have submitted a lock-in application or are on the waiting list

Priority groups:

- 1: Already insolvent or projected insolvency before March 11, 2022
- 2: Projected insolvency within 1 year or implemented suspension of benefits under MPRA
- 3: Eligible and at least 350,000 total participants
- 4: Projected insolvency before March 11, 2023 (N/A; all included in group 2)
- 5: Projected insolvency before March 11, 2026
- 6: Present value of financial assistance in excess of \$1 billion

- PBGC closed the application portal to priority plans on March 11, 2023 (statutory rule)
- Since then, plans without priority status were permitted to submit “lock-in” applications and request to be on the waiting list
- So far, PBGC has allowed 5 non-priority plans to submit full applications

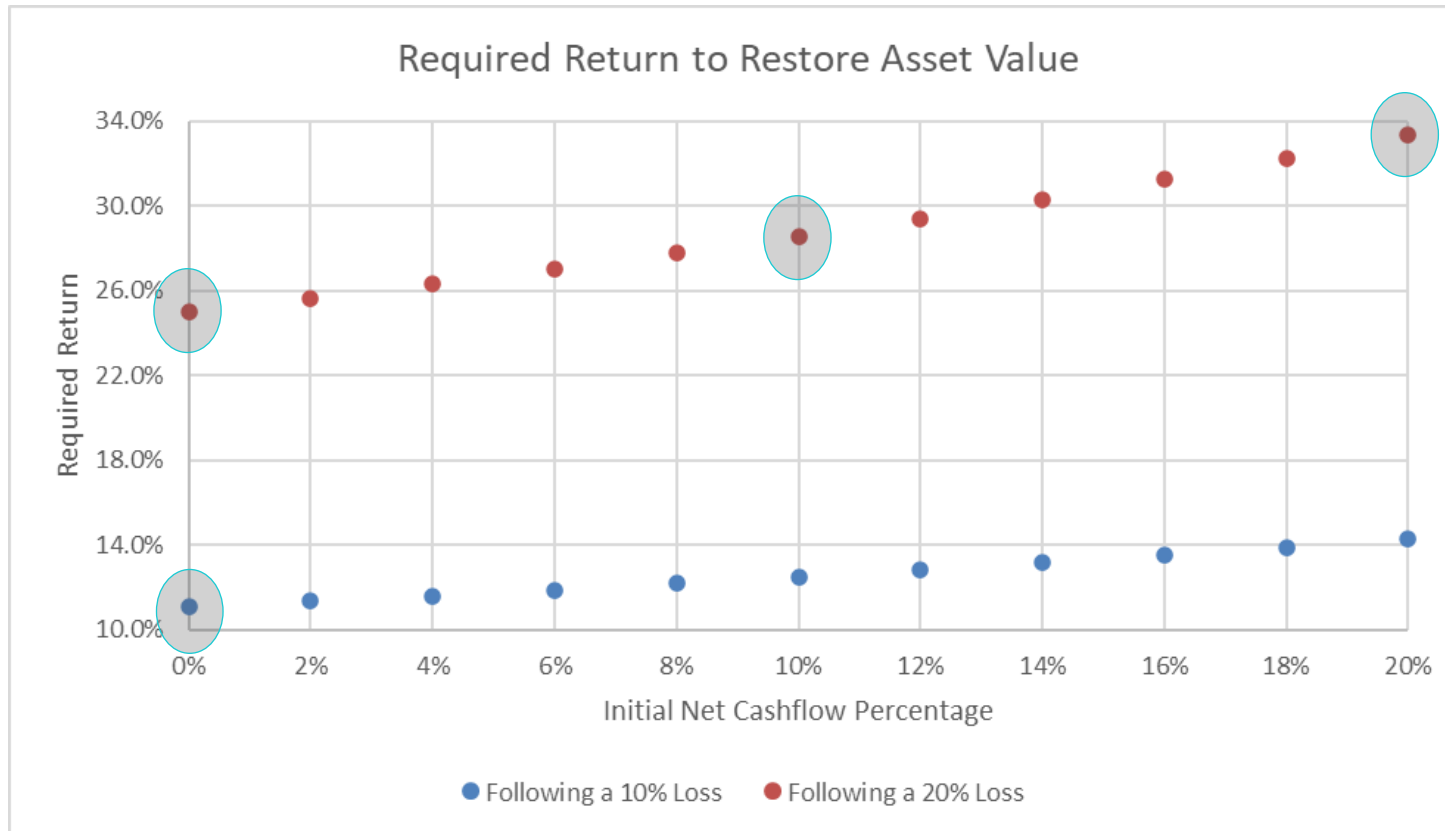
U.S. Treasury Yield Curve



		3M	1Y	2Y	5Y	10Y	30Y
	12/31/2019	1.55	1.57	1.57	1.69	1.92	2.39
ARPA Passage	3/31/2021	0.03	0.07	0.16	0.94	1.74	2.42
Final Rule	7/29/2022	2.33	2.84	2.90	2.70	2.64	2.98
Now	4/28/2023	5.07	4.78	4.06	3.54	3.45	3.67

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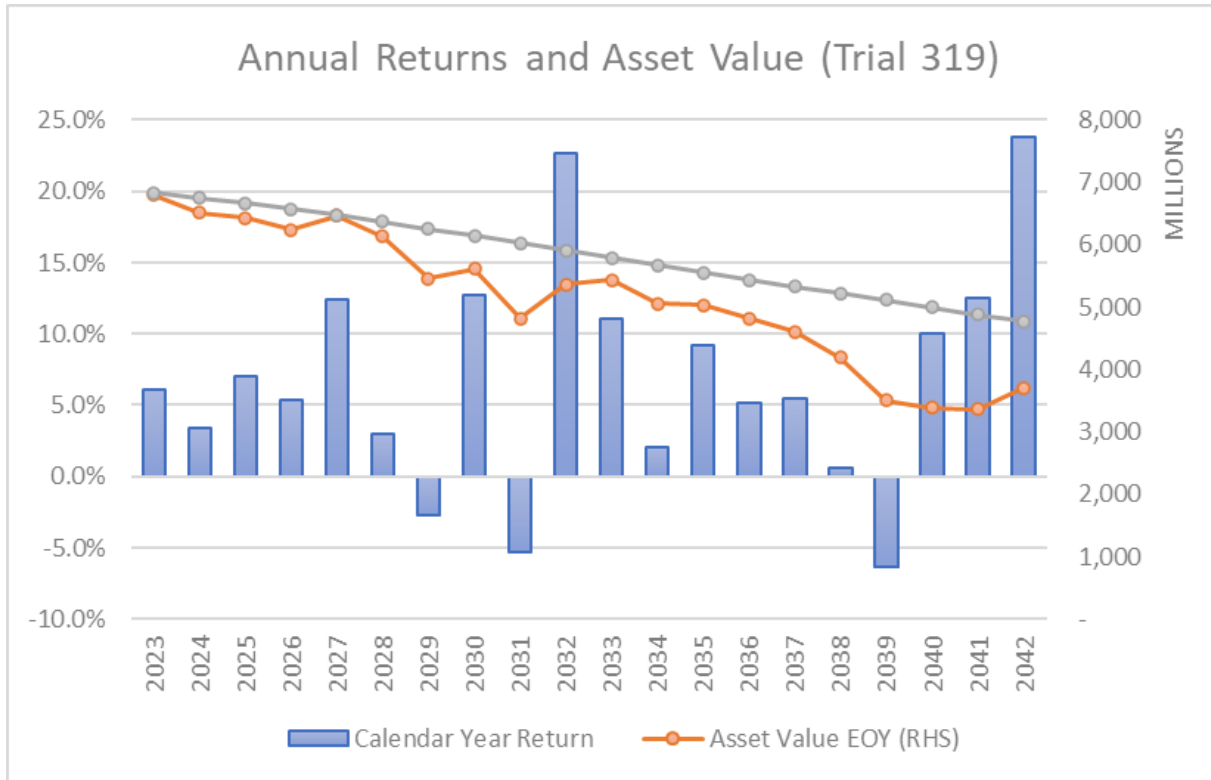
Cashflow Negative Plans & Amplified Volatility



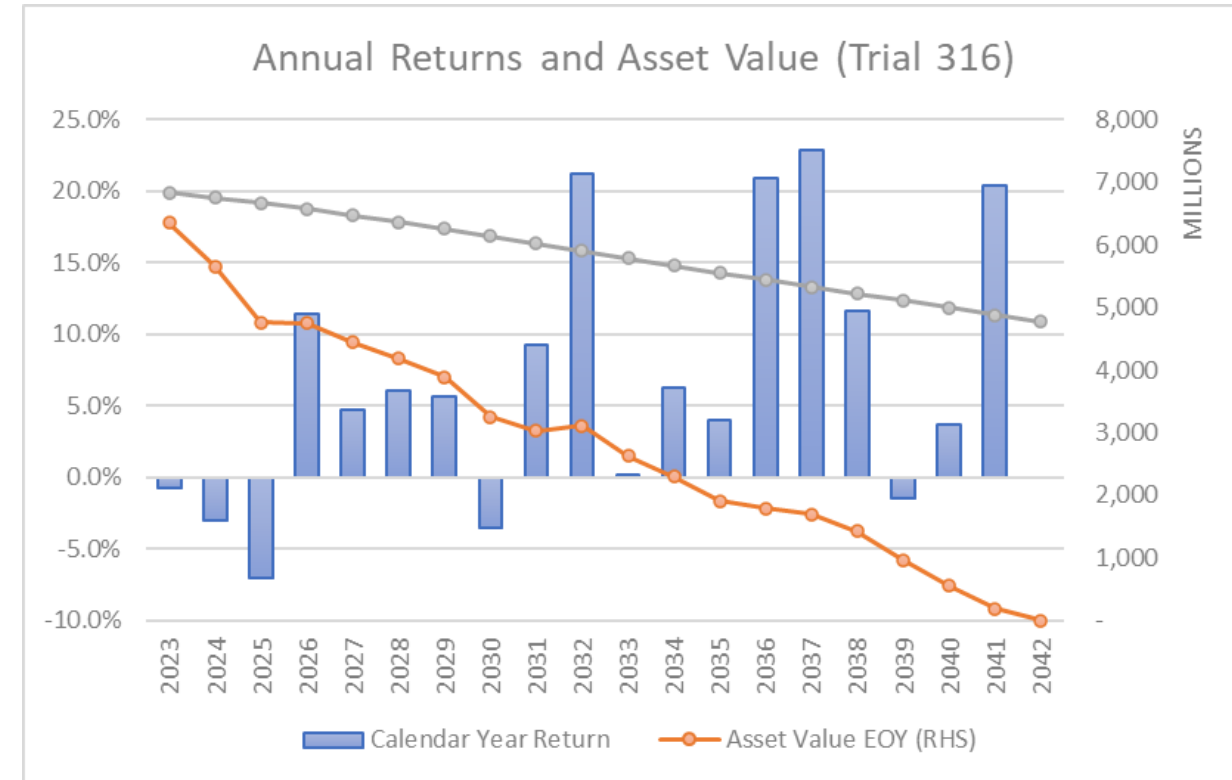
- A cashflow neutral plan requires an **11% return** following a 10% asset loss to **restore the assets to their original value**
 - And would require a **25% return** following a 20% asset loss
- A plan that has a net cash outflow of 10% annually would require a **29% return** following a 20% asset loss to restore the original asset value
- If the net cash outflow were 20% annually it would require a **33% return** following a 20% asset loss

Path Dependency Matters

Cmpd Rtn = 6.6%



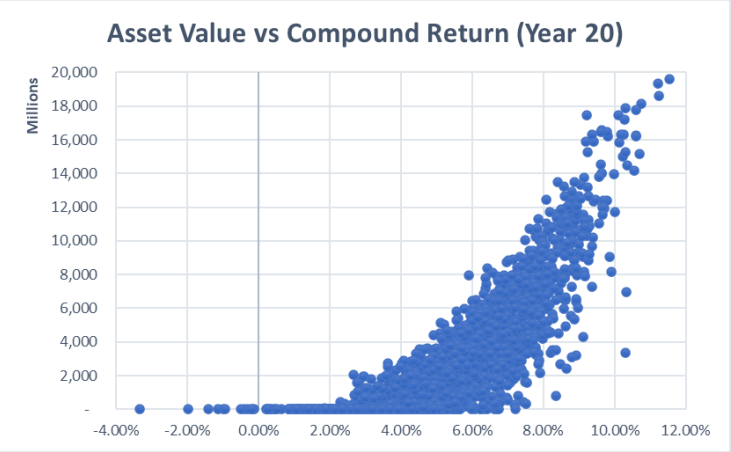
Cmpd Rtn = 6.6%



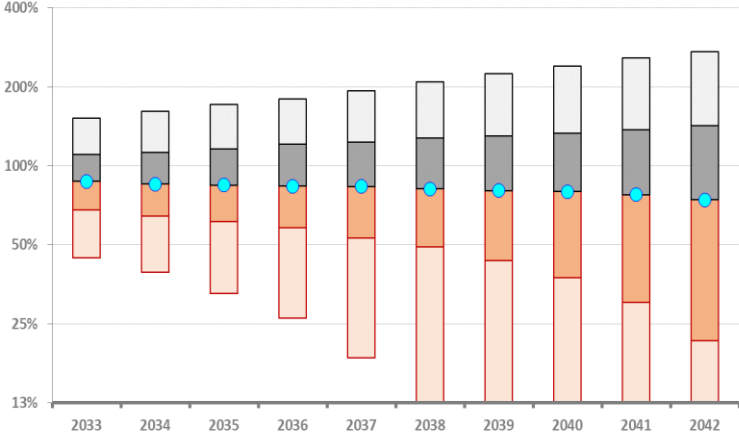
For mature plans it is prudent to de-risk to less volatile investment allocations that minimize the likelihood and magnitude of drawdowns

Path Dependency Risk

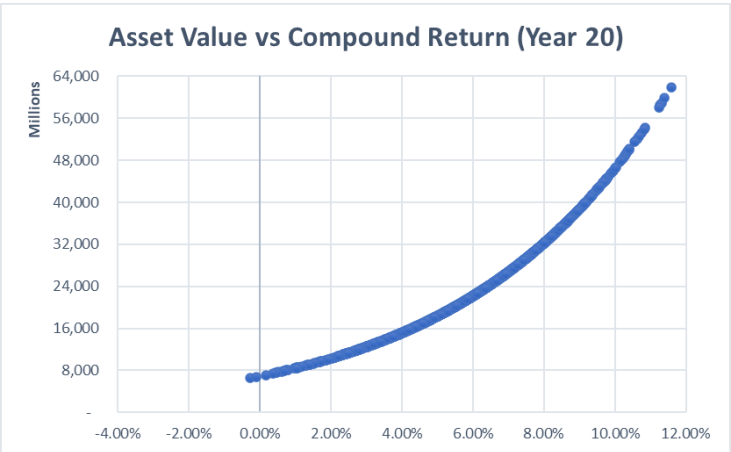
Net Cashflow Negative (Actual)



PVAB Funded Pct.



Net Cashflow Neutral (Hypothetical)



PVAB Funded Pct.

