

Example 3: Advance Funding and Lump Sum Window to Reduce PBGC Premiums

Level Funding Scenario	2018	2019	2020	2021	2022	2023	2024
Remaining Plan Deficit (beginning of year)	\$50,000,000	\$43,669,519	\$37,085,819	\$30,238,771	\$23,117,841	\$15,712,074	\$8,010,076
Level Amortization of Shortfall (end of year)	\$8,330,481	\$8,330,481	\$8,330,481	\$8,330,481	\$8,330,481	\$8,330,481	\$8,330,481
PBGC Per Participant Premium	\$74	\$80	\$82	\$84	\$86	\$88	\$90
Total Participants	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Per Participant Premium	\$296,000	\$320,000	\$328,000	\$336,000	\$344,000	\$352,000	\$360,000
PBGC Variable Premium Per Year (Rate per \$1,000)	\$38	\$42	\$43	\$44	\$45	\$46	\$47
PBGC Variable Premium	\$1,900,000	\$1,834,120	\$1,594,690	\$1,330,506	\$1,040,303	\$722,755	\$376,474
Total Before-Tax Cash Flow	\$10,526,481	\$10,484,601	\$10,253,171	\$9,996,987	\$9,714,784	\$9,405,236	\$9,066,955
Tax Deduction	(\$3,684,268)	(\$2,201,766)	(\$2,153,166)	(\$2,099,367)	(\$2,040,105)	(\$1,975,100)	(\$1,904,061)
Total After-Tax Cash Flow	\$6,842,213	\$8,282,835	\$8,100,005	\$7,897,620	\$7,674,679	\$7,430,136	\$7,162,894
Present Value of After-Tax Cash Flow (at cost of capital rate)	\$6,335,382	\$7,101,196	\$6,430,045	\$5,804,986	\$5,223,258	\$4,682,246	\$4,179,480
Net Present Value of After-Tax Cash Flow	\$39,756,593						

Borrow-to-Fund Scenario	2017 Start	2018	2019	2020	2021	2022	2023	2024
Loan Proceeds Paydown Shortfall	(\$50,000,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Remaining Plan Deficit (beginning of year)		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan Balance		\$50,000,000	\$41,477,177	\$32,272,528	\$22,331,507	\$11,595,205	\$0	\$0
Principal and Interest Payment on Loan		\$12,522,823	\$12,522,823	\$12,522,823	\$12,522,823	\$12,522,823	\$0	\$0
Deductible interest on Loan		\$4,000,000	\$3,318,174	\$2,581,802	\$1,786,521	\$927,616	\$0	\$0
PBGC Per Participant Premium		\$74	\$80	\$82	\$84	\$86	\$88	\$90
Total Participants		4,000	3,200	3,200	3,200	3,200	3,200	3,200
Per Participant Premium		\$296,000	\$256,000	\$262,400	\$268,800	\$275,200	\$281,600	\$288,000
PBGC Variable Premium Per Year (Rate per \$1,000)		\$38	\$42	\$43	\$44	\$45	\$46	\$47
PBGC Variable Premium		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Before-Tax Cash Flow	(\$50,000,000)	\$12,818,823	\$12,778,823	\$12,785,223	\$12,791,623	\$12,798,023	\$281,600	\$288,000
Tax Deduction	(\$17,500,000)	(\$943,600)	(\$750,577)	(\$597,282)	(\$431,617)	(\$252,591)	(\$59,136)	(\$60,480)
Total After-Tax Cash Flow	(\$32,500,000)	\$11,875,223	\$12,028,246	\$12,187,941	\$12,360,006	\$12,545,432	\$222,464	\$227,520
Present Value of After-Tax Cash Flow (at cost of capital rate)	(\$32,500,000)	\$10,995,577	\$10,312,282	\$9,675,181	\$9,084,973	\$8,538,210	\$140,190	\$132,756
Net Present Value of After-Tax Cash Flow	\$16,379,169							
After-Tax Net Present Value Savings/(Cost)	\$23,377,424							