

Special Financial Assistance Program for Financially Troubled Multiemployer Plans

NCCMP Lawyers and Administrators Meeting
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All remarks are off-the-record and not for attribution.



- Special Financial Assistance (SFA) Timeline
- Current Status of Application Inventory
- Expected Scope of SFA Program
- SFA Program Operation – Condensed Version
- Application Process
- What Applicants Should Expect
- What Happens When an Application is Flawed
- Lessons Learned to Date
- Questions

Special Financial Assistance Program Timeline

- Enactment of American Rescue Plan 3/11/2021
- Issuance of Interim Final Regulation 7/9/2021
- End of Comment Period 8/8/2021
- First Application (Road Carriers 707) 8/13/2021
- First Payment (\$112.6 M to Local 138) 1/14/2022
- Issuance of Final Regulation To Be Determined
- End of Priority Application Period 3/11/2023
- Last Date for Initial Application 12/31/2025
- Last Date for Revised Application 12/31/2026
- Last Possible Payment Date 9/30/2030

Current Status of Application Inventory

Number of Plans	Applications Approved		Applications In Review
	Paid	Not Yet Paid	
PG 1	5	2	17
PG 2 – MPRA	0	0	4
PG 2 – Emergency Applications	0	0	5
Aggregate SFA	\$1.1 billion	\$0.2 billion	\$6.9 billion
Aggregate Participant Count	8,117	2,250	160,973

Estimated Scope of SFA Program

Number of Plans	Total Estimated	Approved	In Review	Future Applications
PG 1	30	7	17	6
PG 2	23	0	9	14
PG 3	1	0	0	1
PG 4	0	0	0	0
PG 5	16	0	0	16
PG 6	14	0	0	14
Not in PG	218	0	0	218
Total	302	7	26	269

SFA Program Operation – Condensed Version

- Administered by PBGC using appropriated funds
- Certain financially distressed multiemployer pension plans can apply for assistance that is not required to be repaid
- Amount needed to fund full plan-level benefits until 2051 under specified projection assumptions
- Plans that receive SFA are subject to conditions specified in PBGC regulations

- Until March 2023, only plans in priority groups may apply
 - PBGC's regulation prioritizes
 - Certain plans that have imposed benefit suspensions,
 - Those expected to become insolvent in the near future, and
 - The largest financially distressed plans
- Applications must be submitted electronically
- PBGC may close the E-filing portal to additional applications once its capacity to process them effectively is reached
- The American Rescue Plan specifies that PBGC must approve or reject an application within 120 days of submission

What Applicants Should Expect

- Applicants must register for and familiarize themselves with PBGC's E-filing portal
- PBGC will acknowledge receipt of application within days of submission
- PBGC case team will reach out to applicant if any questions arise during review
- PBGC case team will inform applicant if it identifies any problems
- Applicant will be informed when a final determination on approval or rejection is reached
- PBGC intends to make payment 30 to 60 days after approval
- Recipients of SFA are obligated to file a statement of compliance with conditions on an annual basis and are subject to audit on compliance

What Happens When An Application Is Flawed

- Applicant may withdraw at any time prior to approval
- Revised applications comprise only those materials that change compared to initial application
- Base Data May Not Be Revised:
 - SFA measurement date
 - Participant census data
 - SFA interest rate
- PBGC's 120-Day deadline resets upon revision, but review may not take that long depending on extent of prior review and issues with initial application

Lessons Learned To Date

- Retroactive restoration of suspended benefits are paid only to participants in pay status on “effective date of SFA”
 - Under IRS Notice 21-38, this means participant must survive to the month that SFA is actually paid
- PBGC’s Guidance on projection assumptions can simplify application when applicable
 - Guidance is not mandatory
- Projection of administrative expenses is often the subject of clarifying questions from the PBGC case team
 - Projections must take account of diminished scale of plan over projection period
 - Escalation assumption should be forward-looking
 - Investment expenses can be included only if an explicit assumption were made for such expenses in the pre-2021 zone status certification

Lessons Learned To Date (continued)

- Assumption regarding the exclusion of overage terminated vested participants may be revised so long as:
 - Experience data supports revised assumption, or
 - Participants older than 85 continue to be excluded
- PBGC case team will ask for supporting data and analysis when the applicant makes plan-specific adjustments to standard mortality tables and/or improvement scales
- SFA certification should specify
 - All assumptions used to develop SFA amount
 - The amount of SFA
 - The date signed
- Every signed document should clearly identify the name of the signer
- Model plan amendments are posted on PBGC's website

Recent Changes to SFA Instructions

- Documentation supporting a certification of critical and declining status must include a plan-year-by-plan year cash flow projection to insolvency
- The requirement to separately identify projected benefit payments by participant category is no longer required
- Automated Clearing House vendor form must be notarized by the bank receiving funds before PBGC actually makes payment of SFA

- If PBGC issues a final rule that makes any changes affecting the amount of Special Financial Assistance for a plan,
 - The amount of SFA for plans that submitted an application before publication of the final rule will not be reduced as a consequence of publication, and
 - Plans for which the final rule increases the amount of SFA will be able to receive that increase.

Questions?

For official PBGC statements, please contact
PBGC Public Affairs at 202-229-4343 or
PBGCExternalAffairs@PBGC.gov.

