

## **Special Financial Assistance Final Rule**

**Special Considerations for Plans That  
Applied Under the Interim Final Rule  
and Other Plans Currently Eligible to Apply**

*July 28, 2022*





**PBGC does not have information about individual benefits in multiemployer pension plans.**

**If you have questions about your benefits, please contact your plan administrator or your union.**

**To protect your personal information, do not share Social Security numbers or other identifying data during this webinar.**

## Focus is plans that are currently eligible to apply for SFA Priority Groups 1, 2, 3, and 4

- I. Special Financial Assistance Final Rule
- II. Plans that already received SFA – 27 plans
- III. Plans with applications currently under review or withdrawn and not yet refiled
- IV. Other plans currently eligible to apply but have not yet applied
- V. Implementation of two interest rate structure
- VI. MPRA plans



---

# **Special Financial Assistance Final Rule**

---

PBGC

## What has not changed:

- Plan eligibility requirements – statutory criteria
- Basic definition of Special Financial Assistance – consider all plan resources and obligations
- Basic application and review processes
- Reporting and monitoring – post-SFA receipt

## What has changed:

- Permissible investments for SFA assets
- Interest rates used to calculate SFA
- SFA amount for MPRA plans
- Certain conditions
- Certain application requirements



# **Plans That Have Already Received SFA**

PBGC

# Supplemented Applications



What is a supplemented application

Who can file a supplemented application and when

What is included in a supplemented application

Supplemented application processing



# What is a Supplemented Application

Process for an Interim Final Rule filer that has received SFA to supplement its application under the terms of the Final Rule

- When supplemented application is filed, two key Final Rule provisions apply
  - Ability to invest up to 33% of SFA money in “return-seeking assets”
  - SFA phase-in condition for determining withdrawal liability
- All other Final Rule condition changes apply automatically on August 8, 2022
  - E.g., Final Rule restrictions and conditions on plan mergers involving SFA plans
- In most cases, supplemented application, once approved, will result in an additional SFA payment

# Who can File a Supplemented Application and When

- Plans approved for SFA under the Interim Final Rule and received SFA payment may file a supplemented application on or after August 8, 2022
  - Must be limited to the changes and information specified in the supplemented SFA instructions included on PBGC.gov
  - Submitted via PBGC's e-filing portal

# Contents of Supplemented Application

## Must not change:

- Plan's SFA measurement date
- Fair market value of assets
- Participant census data
- Any projection assumptions except:
  - Implementation of the two interest rate structure, and
  - Exclusion of contribution rate increases agreed to on or after July 9, 2021

# Supplemented Application Processing

- The 120-day review period applies. PBGC expects to make any supplemented SFA payments within 60 days of approval
- Supplemented applications can be withdrawn at any time prior to either being approved or denied by PBGC

- Supplemented applications must be submitted via PBGC's e-filing portal
- PBGC expects the e-filing portal to remain open through the end of the application Priority Group period, March 11, 2023



**Plans with Applications Currently Under  
Review or Withdrawn and not yet Refiled**

PBGC

# Significance of Final Rule Effective Date of August 8, 2022

- Starting August 8, 2022, eligible plans will no longer be able to submit initial **OR** revised applications that do not conform to the requirements of the Final Rule
  - PBGC will begin accepting supplemented applications on this date
- Plans seeking to submit initial application must be otherwise eligible to apply with respect to applicable priority group categories

# Significance of Final Rule Effective Date of August 8, 2022 (cont'd)

- Conditions with respect to (a) permissible investments and (b) the requirement to phase-in recognition of SFA funds for withdrawal liability purposes, **do not** automatically apply to a plan when the Final Rule becomes effective on August 8, 2022
- A plan must submit an application on or after August 8, 2022, for these two new conditions to apply to that plan, whether an initial, revised, or supplemented application



# Significance of Final Rule Effective Date of August 8, 2022 (cont'd)

- Plans with applications already submitted under the Interim Final Rule before August 8, 2022, will continue to be reviewed and may be approved under the terms of the Interim Final Rule
- Plans always have the option to withdraw an application filed but not yet approved or denied
- However, if an IFR application is withdrawn or denied and the revised application is submitted on or after August 8, 2022, that application must comply with the Final Rule

# Significance of Final Rule Effective Date of August 8, 2022 (cont'd)

- Plans with Interim Final Rule applications currently under review have the option to withdraw and file a revised application under the Final Rule
- A revised application filed under the Final Rule will likely result in receiving SFA somewhat later when compared to allowing the continuation of the ongoing review and possible approval of the Interim Final Rule application
- Plans will have to consider various tradeoffs, such as:
  - Earliest the plan may receive SFA
  - When suspended benefits can be restored
  - Earliest the plan could implement the revised definition of permissible investments and the new condition on phase-in of SFA for withdrawal liability calculations



---

## **Other Plans Currently Eligible to Apply**

---

PBGC

# Some Plans Eligible to Apply for SFA Have Not Yet Applied

- Some “open” Priority Group plans have not yet applied for SFA as of July 2022 under the Interim Final Rule

## Priority Groups

Priority Group	Plan Descriptions	Target Date Plans May Apply for SFA*	Status
1	Already insolvent or projected to become insolvent before 3/11/2022	7/9/2021	<a href="#">OPEN</a>
2	Expected to be insolvent within one year of the date the plan's application is filed	12/27/2021	<a href="#">OPEN</a>
	Implemented MPRA benefit suspensions before 3/11/2021**	1/1/2022	<a href="#">OPEN</a>
3	Greater than 350,000 participants	4/1/2022	<a href="#">OPEN</a>
4	Projected to become insolvent before 3/11/2023	7/1/2022	<a href="#">OPEN</a>
5	Projected to become insolvent before 3/11/2026	2/11/2023	CLOSED
6	Present value of financial assistance in excess of \$1 billion	2/11/2023	CLOSED

\*PBGC has 120 days to review an application. If capacity to process applications exceeds expectations, then the dates to accept applications may be accelerated.

\*\*MPRA plans can restore benefits under 26 CFR 1.432(e)(9)-1(e)(3) at any time, including before applying for SFA.



Pension Benefit  
Guaranty Corporation

# Implications of Filing an Application for SFA Before August 8, 2022

- Application should be prepared in accordance with the terms of the IFR
- If the application is approved, plan can file a supplemented application under the Final Rule
- If the application is withdrawn or denied, then the plan must file a revised application on or after August 8, 2022, under the terms of the Final Rule

# Implications of Filing an Application for SFA On or After August 8, 2022

- For Priority Group 1-4 plans that file an initial application on or after August 8, 2022:
  - Application should be prepared in accordance with the terms of the Final Rule
  - Precludes the need for a supplemented application
- Note: Filing on or after August 8, 2022, may result in receiving SFA somewhat later than filing prior to August 8, 2022



# Implementation of Two Interest Rate Structure

PBGC

# Implementation of Two Interest Rate Structure

- SFA applications will need to develop cash flow models that project the SFA and non-SFA asset balances separately
  - Different interest rates apply to the two balances
  - All disbursements (benefit payments and administrative expenses) are assumed to be paid from the SFA balance until it is exhausted
  - All contributions and withdrawal liability payments are assumed to flow into the non-SFA balance
- Apply an iterative trial-and-error process to find the smallest amount of SFA that supports payment of all plan benefits and administrative expenses through 2051 with assets fully exhausted at the end of the SFA coverage period



# Non-SFA Interest Rate Determination

- Lower of:
  - Plan's interest rate used for funding standard account purposes as projected in its pre-2021 certification
  - Third segment rate (long-term corporate bonds) plus 200 basis points
    - For the month in which this rate is the lowest among the four months ending with the month in which plan's **initial** SFA application was filed
- Limited to the rates available on the day before the initial application was filed
- In general, this will be the same interest rate used in the application approved under the terms of the IFR

# SFA Interest Rate Determination

- Lower of:
  - Plan's interest rate used for funding standard account purposes as projected in its pre-2021 certification
  - Average of the first, second, and third segment rates plus 67 basis points
    - For the month in which this rate is the lowest among the four months ending with the month in which plan's initial SFA application was filed
- Limited to the rates available on the day before the initial application was filed

# Interest Rate Determination Under Final Rule – Example

## Key assumptions:

- Initial application filed on January 15, 2022
- Application was approved under the terms of the IFR
- Requested SFA has been paid
- Plan's funding rate is 7.00%

- Relevant PPA segment rates are:

Month, Year	First Segment Rate	Second Segment Rate	Third Segment Rate
January 2022*	N/A	N/A	N/A
December 2021	0.92%	2.62%	3.29%
November 2021	0.96%	2.64%	3.32%
October 2021	1.01%	2.65%	3.34%

\*Note: Since the January segment rates were not published until January 22, they were not available the day before the initial application was filed and cannot be used in the determination of SFA.

# Interest Rate Determination Under Final Rule – Example (cont'd)

## Non-SFA Rate

Lesser of plan's funding rate (7.00%) and third segment rate + 200 basis points

$$3.29\% + 2.00\% = 5.29\%$$

## SFA Rate

Lesser of plan's funding rate (7.00%) and average of all three segment rates + 67 basis points

$$((0.92\% + 2.62\% + 3.29\%)/3) + 0.67\% = 2.95\%$$

- December segment rates are used – smallest of the rates in month application was filed and three previous months
  - Rates must be published by the day before the application was submitted

# SFA Amount Determination Example

SFA Measurement Date / Plan Year Start Date		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Plan Year End Date		Contributions	Withdrawal Liability Payments	Other Payments to Plan (excluding financial assistance and SFA)	Benefit Payments (should match total from Sheet 4A-2)	Make-up Payments Attributable to Reinstatement of Benefits Suspended through the SFA Measurement Date	Administrative Expenses (excluding amount owed PBGC under 4261 of ERISA; should match total from Sheet 4A-3)	Benefit Payments (from (4) and (5)) and Administrative Expenses (from (6)) Paid from SFA Assets	SFA Investment Income Based on SFA Interest Rate	Projected SFA Assets at End of Plan Year (prior year assets + (7) + (8))	Benefit Payments (from (4) and (5)) and Administrative Expenses (from (6)) Paid from Non-SFA Assets	Non-SFA Investment Income Based on Non-SFA Interest Rate	Projected Non-SFA Assets at End of Plan Year (prior year assets + (1) + (2) + (3) + (10) + (11))
12/31/2021	12/31/2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$812,954,368	\$0	\$0	\$1,595,340,000
01/01/2022	12/31/2022	\$139,526,000	\$21,175,000	\$0	-\$307,043,000	\$0	-\$9,220,000	-\$316,263,000	\$19,351,180	\$516,042,548	\$0	\$88,589,253	\$1,844,630,253
01/01/2023	12/31/2023	\$141,147,000	\$21,175,000	\$0	-\$310,515,000	\$0	-\$9,403,000	-\$319,918,000	\$10,538,762	\$206,663,310	\$0	\$101,819,031	\$2,108,771,284
01/01/2024	12/31/2024	\$140,455,000	\$21,175,000	\$0	-\$313,629,000	\$0	-\$7,836,000	-\$206,663,310	\$0	\$0	-\$114,801,690	\$112,776,649	\$2,268,376,243
01/01/2025	12/31/2025	\$139,750,000	\$18,673,000	\$0	-\$316,137,000	\$0	-\$8,029,000	\$0	\$0	\$0	-\$324,166,000	\$115,669,693	\$2,218,302,936
01/01/2026	12/31/2026	\$139,017,000	\$13,676,000	\$0	-\$318,142,000	\$0	-\$8,227,000	\$0	\$0	\$0	-\$326,369,000	\$112,813,692	\$2,157,440,628
01/01/2027	12/31/2027	\$138,335,000	\$13,702,000	\$0	-\$319,235,000	\$0	-\$8,430,000	\$0	\$0	\$0	-\$327,665,000	\$109,543,110	\$2,091,355,738
01/01/2028	12/31/2028	\$137,706,000	\$13,702,000	\$0	-\$319,209,000	\$0	-\$8,638,000	\$0	\$0	\$0	-\$327,847,000	\$106,026,045	\$2,020,942,783
01/01/2029	12/31/2029	\$137,135,000	\$13,681,000	\$0	-\$318,335,000	\$0	-\$8,850,000	\$0	\$0	\$0	-\$327,185,000	\$102,303,028	\$1,946,876,811
01/01/2030	12/31/2030	\$136,576,000	\$13,631,000	\$0	-\$316,723,000	\$0	-\$9,069,000	\$0	\$0	\$0	-\$325,792,000	\$98,405,407	\$1,869,697,218
01/01/2031	12/31/2031	\$135,450,000	\$13,462,000	\$0	-\$314,205,000	\$0	-\$9,597,000	\$0	\$0	\$0	-\$323,802,000	\$94,340,753	\$1,789,147,970
01/01/2032	12/31/2032	\$133,806,000	\$13,167,000	\$0	-\$311,069,000	\$0	-\$9,834,000	\$0	\$0	\$0	-\$320,903,000	\$90,104,762	\$1,705,322,733
01/01/2033	12/31/2033	\$132,202,000	\$13,167,000	\$0	-\$306,847,000	\$0	-\$10,077,000	\$0	\$0	\$0	-\$316,924,000	\$85,732,416	\$1,619,500,149
01/01/2034	12/31/2034	\$130,627,000	\$8,771,000	\$0	-\$301,456,000	\$0	-\$10,326,000	\$0	\$0	\$0	-\$311,782,000	\$81,170,757	\$1,528,286,906
01/01/2035	12/31/2035	\$129,102,000	\$4,311,000	\$0	-\$296,096,000	\$0	-\$10,582,000	\$0	\$0	\$0	-\$306,678,000	\$76,322,574	\$1,431,344,480
01/01/2036	12/31/2036	\$127,635,000	\$4,256,000	\$0	-\$289,842,000	\$0	-\$10,843,000	\$0	\$0	\$0	-\$300,685,000	\$71,311,054	\$1,333,861,535
01/01/2037	12/31/2037	\$126,199,000	\$3,752,000	\$0	-\$282,994,000	\$0	-\$11,111,000	\$0	\$0	\$0	-\$294,105,000	\$66,275,353	\$1,235,982,887
01/01/2038	12/31/2038	\$124,782,000	\$1,247,000	\$0	-\$275,660,000	\$0	-\$11,386,000	\$0	\$0	\$0	-\$287,046,000	\$61,179,477	\$1,136,145,364
01/01/2039	12/31/2039	\$123,392,000	\$1,237,000	\$0	-\$267,907,000	\$0	-\$11,668,000	\$0	\$0	\$0	-\$279,575,000	\$56,056,580	\$1,037,255,945
01/01/2040	12/31/2040	\$122,010,000	\$250,000	\$0	-\$259,941,000	\$0	-\$11,957,000	\$0	\$0	\$0	-\$271,898,000	\$50,963,918	\$938,581,862
01/01/2041	12/31/2041	\$120,636,000	\$55,000	\$0	-\$251,398,000	\$0	-\$12,252,000	\$0	\$0	\$0	-\$263,650,000	\$45,918,442	\$841,541,304
01/01/2042	12/31/2042	\$119,279,000	\$55,000	\$0	-\$243,321,000	\$0	-\$12,556,000	\$0	\$0	\$0	-\$255,877,000	\$40,952,512	\$745,950,816
01/01/2043	12/31/2043	\$117,941,000	\$55,000	\$0	-\$235,020,000	\$0	-\$12,867,000	\$0	\$0	\$0	-\$247,887,000	\$36,069,454	\$652,129,270
01/01/2044	12/31/2044	\$116,613,000	\$55,000	\$0	-\$226,612,000	\$0	-\$13,185,000	\$0	\$0	\$0	-\$239,797,000	\$31,282,844	\$560,283,114
01/01/2045	12/31/2045	\$115,297,000	\$55,000	\$0	-\$218,243,000	\$0	-\$13,208,000	\$0	\$0	\$0	-\$231,451,000	\$26,607,730	\$470,791,844
01/01/2046	12/31/2046	\$114,006,000	\$55,000	\$0	-\$209,966,000	\$0	-\$12,711,000	\$0	\$0	\$0	-\$222,677,000	\$22,069,016	\$384,244,861
01/01/2047	12/31/2047	\$112,736,000	\$55,000	\$0	-\$201,760,000	\$0	-\$12,219,000	\$0	\$0	\$0	-\$213,979,000	\$17,684,620	\$300,741,480
01/01/2048	12/31/2048	\$111,476,000	\$55,000	\$0	-\$193,514,000	\$0	-\$11,724,000	\$0	\$0	\$0	-\$205,238,000	\$13,462,614	\$220,497,094
01/01/2049	12/31/2049	\$110,229,000	\$55,000	\$0	-\$185,300,000	\$0	-\$11,231,000	\$0	\$0	\$0	-\$196,531,000	\$9,412,460	\$143,662,554
01/01/2050	12/31/2050	\$109,007,000	\$55,000	\$0	-\$177,338,000	\$0	-\$10,753,000	\$0	\$0	\$0	-\$188,091,000	\$5,536,369	\$70,169,923
01/01/2051	12/31/2051	\$107,808,000	\$55,000	\$0	-\$169,577,000	\$0	-\$10,288,000	\$0	\$0	\$0	-\$179,865,000	\$1,832,077	\$0

# SFA Amount Determination Example

(7) Benefit Payments (from (4) and (5)) and Administrative Expenses (from (6)) Paid from SFA Assets	(8) SFA Investment Income Based on SFA Interest Rate	(9) Projected SFA Assets at End of Plan Year (prior year assets + (7) + (8))	(10) Benefit Payments (from (4) and (5)) and Administrative Expenses (from (6)) Paid from Non-SFA Assets	(11) Non-SFA Investment Income Based on Non- SFA Interest Rate	(12) Projected Non-SFA Assets at End of Plan Year (prior year assets + (1) + (2) + (3) + (10) + (11))
\$0	\$0	\$812,954,368	\$0	\$0	\$1,595,340,000
-\$316,263,000	\$19,351,180	\$516,042,548	\$0	\$88,589,253	\$1,844,630,253
-\$319,918,000	\$10,538,762	\$206,663,310	\$0	\$101,819,031	\$2,108,771,284
-\$206,663,310	\$0	\$0	-\$114,801,690	\$112,776,649	\$2,268,376,243
\$0	\$0	\$0	-\$324,166,000	\$115,669,693	\$2,218,302,936
\$0	\$0	\$0	-\$326,369,000	\$112,813,692	\$2,157,440,628
\$0	\$0	\$0	-\$327,665,000	\$109,543,110	\$2,091,355,738
\$0	\$0	\$0	-\$327,847,000	\$106,026,045	\$2,020,942,783
\$0	\$0	\$0	-\$327,185,000	\$102,303,028	\$1,946,876,811
\$0	\$0	\$0	-\$325,792,000	\$98,405,407	\$1,869,697,218
\$0	\$0	\$0	-\$323,802,000	\$94,340,753	\$1,789,147,970
\$0	\$0	\$0	-\$320,903,000	\$90,104,762	\$1,705,322,733
\$0	\$0	\$0	-\$316,924,000	\$85,732,416	\$1,619,500,149
\$0	\$0	\$0	-\$311,782,000	\$81,170,757	\$1,528,286,906





# MPRA Plans

PBGC

# Three Methods of Determining SFA for MPRA Plans

- Amount of SFA payable to plans that implemented benefit suspensions under MPRA will be the greatest of three amounts:
  - *Basic Method:* SFA determined in the same manner as that used for non-MPRA plans
  - *Increasing Assets Method:* SFA determined such that as of the end of the SFA coverage period, the sum of projected SFA assets and projected non-SFA assets is greater than the amount of such sum as of the end of the immediately preceding plan year
  - *Present Value Method:* SFA equal to the present value of the MPRA benefit suspensions



# Present Value Method of Determining SFA

- The present value of MPRA benefit suspensions includes:
  - Amount of retroactive benefit restoration determined as of the SFA measurement date without adjustment for interest
  - Present value of benefit suspensions that would have occurred in the absence of ARP during the SFA coverage period (through 2051)
    - Calculated as of the SFA measurement date using a discount rate equal to the SFA interest rate

# Restoration of Suspended Benefits (Back Payments) Under MPRA Plans – Reminders

- Must be initiated after the plan receives SFA and before three months after receipt of SFA
- Apply only to participants in pay status on the SFA effective date
  - Defined in IRS Notice 21-38 as the date SFA is actually paid
- For MPRA plans seeking to reinstate suspended benefits before receiving SFA, Treasury regulations include an exception to the MPRA prohibition on benefit improvements applicable to MPRA plans for restoration of benefit suspensions for participants in pay status (except for back payments)

- PBGC.gov American Rescue Plan (ARP) Special Financial Assistance Program resource page: [American Rescue Plan \(ARP\) Special Financial Assistance Program | Pension Benefit Guaranty Corporation \(pbgc.gov\)](#); examples:
  - Final Rule
  - Fact Sheet
  - Press Release
  - Public Briefing Presentation and Recording
  - SFA Application Instructions, Templates, and Guidance
  - [Status of SFA Applications](#)
- Webinar Series targeting trustees and practitioners
  - Today – focus is plans currently eligible to apply; decisions before August 8, 2022
  - Next webinar (targeting late next week) – all eligible plans; overview of changes in the final rule, application process and expanded assumptions guidance
- Pre-filing consultations
  - Available by request



# Questions?