

## Special Financial Assistance Final Rule

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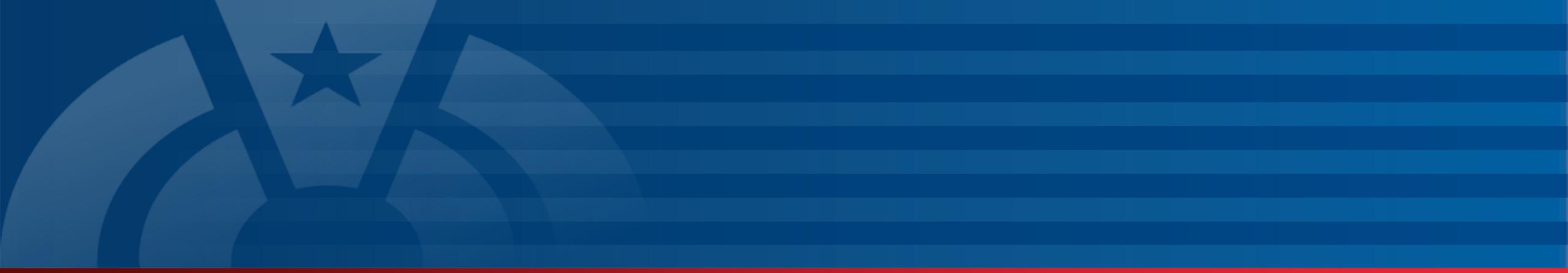


**PBGC does not have information about individual benefits in multiemployer pension plans.**

**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.**

- I. Special Financial Assistance (SFA) Overview and Current Status of Application Inventory
- II. SFA Final Rule
- III. Transition to Final Rule
- IV. Q&A



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# **SFA Overview and Current Status of Application Inventory**

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# Special Financial Assistance Program Timeline

Enactment of  
American  
Rescue Plan  
**3/11/2021**

Issuance of  
Interim Final  
Rule **7/09/2021**

First SFA  
Application  
Received  
**8/13/2021**

First SFA  
Payment  
**1/14/2022**

Announcement  
of Final Rule  
**7/06/2022**  
**(Final Rule  
effective  
8/08/2022)**

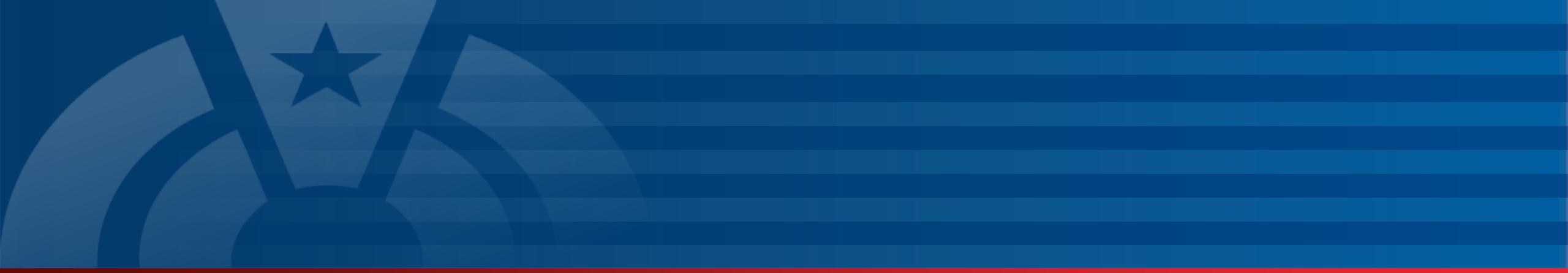


# Current Status of Application Inventory

As of July 6, 2022

	Applications Approved	Applications In Review
Number of Plans	27	13
Aggregate SFA (amount requested)	\$6.7 billion	\$36.9 billion
Aggregate Participant Count	127,532	404,858

- Permissible investments for SFA funds
- Interest rate assumptions
- Fiduciary concerns for plans that suspended benefits under the Multiemployer Pension Reform Act (MPRA)
- Plan mergers
- Withdrawal liability and other conditions
- Payment of reinstated benefits



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# **Special Financial Assistance Final Rule**

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## 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

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



# Expansion of Permissible Investments

## IFR Provision

- SFA invested 100% in investment grade fixed income

## What Changed

- Up to 33% of SFA assets may be invested in return-seeking assets (RSA)

## Reason for Change

- Better allows plans to project to pay benefits through 2051
- Strikes a balance between investment risk and investment returns

## IFR Provision

- Single interest rate for SFA and non-SFA assets

## What Changed

- Use of two separate interest rates for SFA and non-SFA assets; reflects expansion of permissible investments

## Reason for Change

- Addresses interest rate mismatch thus better enabling plans to project to pay benefits through 2051



# MPRA Plans – Methodology and SFA Calculation

## IFR Provision

- No special SFA calculation for MPRA plans

## What Changed

- SFA equals greatest of the non-MPRA SFA amount, present value of reinstated benefits, and amount needed to project increasing assets in 2051

## Reason for Change

- Addresses possible dilemma between choosing to accept SFA or maintaining MPRA suspensions to keep plan on projected path of indefinite solvency

# Changes in Estimated SFA Program Costs

*Program cost estimates are sensitive to plan asset values and SFA interest rates at time of plan application*

Estimated SFA Program Costs	Mean Stochastic Estimates
ARP Original CBO Estimate	\$86 billion
Interim Final Rule: Mean estimate	\$93.98 billion
Updates for more recent data and economic assumptions (as of 12/31/2021)	(\$17.30) billion
Regulation changes*	\$5.64 billion
Final Rule: Mean estimate	\$82.32 billion
Range estimate: 15 <sup>th</sup> – 85 <sup>th</sup> percentile	\$74.34 – \$90.85 billion

\*The change in permissible investments and the use of two interest rates increased the mean SFA estimate by approximately \$4.40 billion. The additional provision for the MPRA plans costs approximately \$1.24 billion.



## Benefit Improvements

- Retroactive and prospective benefit improvements permitted after 10 years with PBGC approval, if plan can demonstrate it will avoid insolvency
- As in the IFR, prospective benefit improvements permitted at any time if contribution increases are sufficient to pay for the benefit increase and increased contributions were not included in the determination of SFA
- Helps attract and retain participating employers

## Mergers or Transfers

- As in the IFR, transfers and mergers still require PBGC approval
- Clarifies which conditions apply and how they apply after a merger to merged plan; removes certain conditions and allows for waiver of certain conditions to encourage beneficial mergers (particularly for small plans that receive SFA)



# Changes to SFA Conditions (continued)

## Contribution Allocations

- After 5 years, with PBGC approval, plans can temporarily reallocate up to 10% of pension contributions to a health plan if the plan can demonstrate that the reallocation is needed to address an increase in healthcare costs required by a change in Federal law and that the reallocation does not increase the risk of insolvency for the pension plan

## Withdrawal Liability

- Retains IFR condition to mandate 4044 rates to determine liabilities for later of ten years and expected SFA payout period
- Adds condition to phase in recognition of the amount of SFA over the expected SFA payout period to help plans pay for benefits and plan expenses and so as not to indirectly subsidize employers and encourage them to exit plans
  - *Note – the Final Rule includes a request for additional comments related to the phase-in withdrawal liability condition*



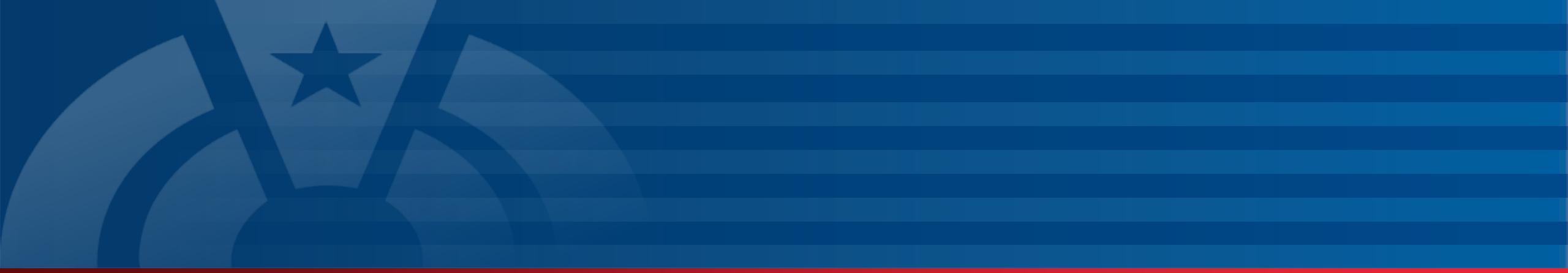
# Changes to SFA Application Process

## New Lock-in Application

- Provides a mechanism for plans to set the SFA measurement date so that assumptions and data can be set in advance of submitting the application; eliminates need to rework applications not yet submitted and avoids conflict with closed e-filing portal

## Definition of SFA Measurement Date

- Changes from last day of the preceding calendar quarter to the last day of the third calendar month preceding the application date to ease data availability and timing conflicts for plans (For example, application date is July 15, SFA measurement date is April 30 under the Final Rule versus June 30 under the IFR)



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# Transition to Final Rule

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# Transition from Interim to Final Rule

## Already received SFA\*

Keeps initial SFA payment and...

May submit a supplemented application under Final Rule

## Pending applications\*

Can withdraw and revise in accordance with Final Rule – or...

Proceed with current application under IFR and if approved, submit supplemented application

## Plans that have not yet applied

Submit application in accordance with Final Rule

\*No change in measurement date, assumptions, and data, with PBGC review within 120 days.

- Improves plans' ability to project paying benefits through 2051 (however long run outcomes will depend on actual investment returns and plan experience)
- Addresses potential conflict for MPRA plans
- Increases SFA program costs by an estimated \$5.6 billion
- Facilitates application process after priority period



## Next Steps to Communicate Final Rule and Associated Guidance

- Briefings for public and multiemployer plan stakeholders
- Presentation and updated guidance to be posted on PBGC.gov
- Continue pre-application consultation meetings, as requested
- Continue to process existing applications and manage pipeline for upcoming applications

## Questions?

