July 2021

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 (“ARPA”).  The ARPA established a special financial assistance (“SFA”) program to be administered by the Pension Benefit Guaranty Corporation (“PBGC”) to provide assistance for severely underfunded multiemployer pension plans facing insolvency. Under the ARPA, UIU-NPG of Greater Philadelphia Pension Plan met the initial eligibility to apply for the SFA due to its critical and declining designation as of the 2020 plan year. The Act gave the PBGC 120 days, until July 9, 2021 to issue regulations or guidance on how the program would be administered.

On July 9, 2021, the PBGC issued interim final regulations providing more details of how the SFA program would be administered. The PBGC estimated that the program will be providing over $94 billion in assistance to over 200 pension plans, impacting over 3 million participants. The SFA provided will be the amount required to pay all benefits through the year 2051. The SFA program will be funded out of the U.S. Department of Treasury general revenue and transferred to the PBGC. Eligible pension plans will need to apply for the SFA program through the PBGC portal. Payment to the pension plans with PBGC approved applications will be a single lump sum with no requirement for repayment. The amount of SFA will be the value of all a pension plan’s obligations minus the pension plan’s resources, using the projections through the year 2051.

One of the goals of ARPA is to prioritize the most impacted plans and participants. In the regulations, the PBGC establishes six tiers of priority groups with specific criteria, with a seventh tier which has not been developed. Whereas the first priority group of plans that are permitted to apply for SFA assistance are currently insolvent or projected to become insolvent by February 11, 2022. The UIU-NPG of Greater Philadelphia Pension Plan is in the fifth tier. Based upon the chart provided by the PBGC, fifth priority group of plans are projected to become insolvent before March 11, 2026. As a fifth priority group plan, the UIU-NPG of Greater Philadelphia Pension Plan would not be eligible to submit an application for SFA before February 11, 2023. The PBGC was concerned that all eligible plans would apply at once and it would be “flooded” with applications. It reserves the right to temporarily close acceptance of applications if the number of

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applications exceed their ability to timely review and process the applications. It acknowledged that there may be an adjustment in the filing dates for the fifth and sixth priority groups and that notice of a change in filing dates would be posted on the PBGC website 21 days prior to the day that the plan may file its application. The PBGC wanted sufficient time to review each application. In the regulations, the PBGC only has 120 days from the receipt of the application to approve or deny the assistance. Payment will be made 60 days after approval of the application. If the application is denied, a pension plan may file an amended application to address the issues raised by the PBGC in the denial. Denials are subject to judicial review.

The one advantage to the delay in the ability for the UIU-NPG of Greater Philadelphia Pension Plan to apply for the SFA is that there will be more information as to what will be required of a pension plan in submitting the application. We will continue to update you on the status of our application to the SFA program.

**The Board of Trustees**