The McKeogh Company

Memorandum

TO:	Board of Trustees, Printing Local 72 Industry Pension Fund
CC:	Greg Moore, Esquire Jacob Szewczyk, Esquire
FROM:	Brian Hartsell, FSA Brian Goddu, ASA
DATE:	October 1, 2021
SUBJECT:	**Special Financial Assistance - American Rescue Plan Act of 2021**

Introduction

On July 9, 2021 the PBGC released interim final regulations related to the special financial assistance ("SFA") aspect of the American Rescue Plan Act ("ARPA") of 2021. ARPA, as well as the interim final regulations and other guidance related PBGC has a dedicated website for SFA (https://www.pbgc.gov/arp-sfa). This memo will provide an overview of SFA eligibility rules and required SFA application assumptions.

Eligibility

The first step in the SFA process is to determine if a plan is eligible to apply. Eligible plans include, but are not limited to, plans certified as critical and declining in a plan year beginning in 2020, 2021, or 2022. As the Printing Local 72 Industry Pension Fund (the "Plan") meets this criteria, it is eligible to apply for SFA.

Application Timing

The next step in the SFA process is to determine when the Plan can apply. The PBGC has set up six priority categories – mainly to stagger the applications that they are tasked to review. The priority groups are shown below with the target application dates:

Priority Group	Plan Descriptions	Target Date Plans May Apply for SFA*
1	Already insolvent or projected to become insolvent before 3/11/2022	7/9/2021
2	Implemented MPRA benefit suspensions before 3/11/2021 or expected to be insolvent within one year of the date application is filed	1/1/2022
3	Critical and declining with greater than 350,000 participants	4/1/2022
4	Projected to become insolvent before 3/11/2023	7/1/2022
5	Projected to become insolvent before 3/11/2026	2/11/2023
6	Present value of financial assistance in excess of $1 billion	2/11/2023

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

As of September 25, 2021, there have been 10 plans that have applied for SFA in Priority Group 1. The amount of requested aid varies from $12 million to $706 million. To date, no applications for SFA have been approved.

Based on current projections, the Plan is eligible to apply with Priority Group 5 beginning February 11, 2023. Note that the Plan is not required to submit on that date and may submit an application any time between that date and December 31, 2025.

Calculation of SFA

The amount of SFA provided to an eligible multiemployer plan eligible will be "such amount required for the plan to pay all benefits due during the period beginning on the date of payment of the special financial assistance payment… and ending on the last day of the plan year ending in **2051**, with no reduction in a participant's or beneficiary's accrued benefit as of the date of enactment of this section".

It is important to note that the amount of SFA will be dictated in part by factors in place at the time of an application's submission. The most important such factor is the rate of return used to project future investment income. ARPA dictates that we use the lesser of (i) the long-term discount rate used in the most recent actuarial certification of status before January 1, 2021 (i.e., the 2020 actuarial certification) and (ii) the third segment rate from the 24-month average corporate bond yield curve for any month selected by the plan within the 4-month period ending with the month in which the SFA application is filed, plus 200 basis points.

Recent calculations of the third segment rate (plus 200 basis points) are shown below:

Month / Year	Interest Rate
5/2021	5.49%
6/2021	5.45%
7/2021	5.42%
8/2021	5.38%
9/2021	5.36%

Historical rates back to 2017 are shown in the Appendix. The Plan's funding rate used in the 2020 actuarial certification was 7.00%, so the application will likely be based on corporate bond yields. Because this rate is tied to an index it will continually change over the next 2 years. The index rate at the time of application will have a dramatic effect on the amount of SFA the Plan is eligible to apply for.

Other factors will affect the projected amount of aid between now and the application date, mainly: (1) the plan's investment experience, (2) demographic experience (mortality, turnover, etc.), (3) employer withdrawals and resulting withdrawal liability payments (if any), (4) changes to the contribution base units, and (5) changes to the assumptions.

Assumptions

The SFA regulations generally require the Plan to use the assumptions previously selected by the plan actuary ("original assumptions") for determining eligibility for SFA and calculating the amount of SFA. The original assumptions were those used in the last certification completed prior to January 1, 2021 (i.e. the 2020 actuarial certification). However, there is a mechanism for a plan to propose changes to the actuarial assumptions if it determines that the use of one or more of its original assumptions (other than the interest rate dictated by ARPA) is unreasonable.

A plan that proposes a change to its original assumptions is required to describe in its application why any original assumption is no longer reasonable, assert that the plan proposes to use a changed assumption, and demonstrate in its application why the changed assumption is reasonable.

PBGC will accept a plan's changed assumption unless PBGC determines that the assumption is unreasonable or determines that a plan's changed assumptions are unreasonable in the aggregate.

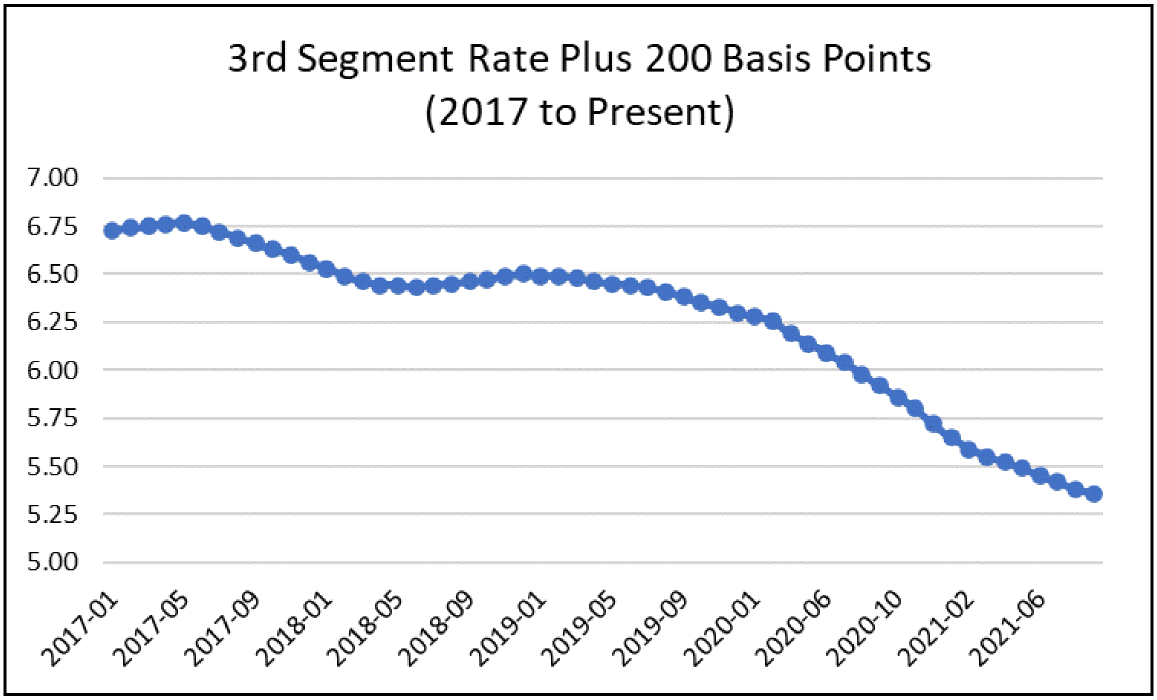
All valuation and projection assumptions will be reviewed in connection with the SFA application process and refinements will be made where necessary.

Further Discussion Items

In subsequent meetings, we will discuss the application process itself, the restrictions placed on plans that receive the financial assistance, and changes (if any) to the interim final regulations.

We look forward to ongoing discussions regarding the PBGC's Special Financial Assistance program.

APPENDIX



The 24-month average segment rates without adjustment for the applicable percentages of the 25-year average segment rates were found on the following IRS website: https://www.irs.gov/retirement-plans/funding-yield-curve-segment-rates