



March 23, 2021

AMERICAN RESCUE PLAN ACT OF 2021

MULTIEMPLOYER PLAN IMPACT

Webinar Q&A Summary

1. With respect to ARPA COBRA subsidies, are there any optional provisions besides a plan sponsor's option to allow enrollment into an alternative plan? Are all other ARPA COBRA subsidy provisions mandatory for multiemployer plans?

Our understanding is that there are no other ARPA COBRA subsidy provisions that are optional for multiemployer plans, other than the one mentioned in your question. Regarding the plan sponsor's option to allow enrollment into a different plan, note that the different plan must cost less than the plan under which the participant was originally enrolled.

2. In your example in slide 7, what happens for period 7/1/2020 and 4/1/2021? Also, for the 18 months max COBRA eligibility - the clock starts counting from their "original" qualifying event and not 4/1/2021? So for the above example the time begins counting from 7/1/2020....correct?

To recap, the two examples were as follows:

1. Participant A became eligible for COBRA coverage (due to involuntary termination) on July 1, 2020, but never elected such coverage.
2. Participant B became eligible for COBRA coverage (due to involuntary termination) on July 1, 2020 and elected such coverage, but subsequently discontinued COBRA coverage at the end of December 2020.

Both participants are eligible for COBRA coverage effective April 1, 2021 as well as the federal COBRA subsidy effective. For Participant A, they would have a gap in COBRA coverage from July 1, 2020 through March 31, 2021 (unless they opted to pay COBRA premiums for retroactive COBRA coverage back to July 1, 2020). Similarly, Participant B would have a gap in COBRA coverage from January 1, 2021 through March 31, 2021.

The 18-month clock starts running from the "original" COBRA qualifying event. Even if a participant is not covered under COBRA from July 1, 2020 through March 31, 2021, the clock is still running during that period.

3. If a participant elected coverage in March 2020 and has been paying the premium, are they now eligible to have the subsidy cover their premium starting in April until their coverage period is over in September 2021.

They will be eligible for the subsidy effective April 1, 2021, so long as they became eligible for COBRA coverage due to involuntary termination or reduction in hours. However, their eligibility for the subsidy will end after August 2021, as the 18-month time period for COBRA eligibility would expire as of August 31, 2021.

4. Our Plan offers the option to include dental and vision or just medical only. Will the Subsidy apply to the dental and vision coverage, or just the medical?

The subsidy will also apply to dental and vision coverage.

5. What is the "COBRA" duration period if someone is on state continuation coverage that lasts for 36 months - the state 36 month or the COBRA 18 month maximum?

The COBRA duration period for anyone eligible for the 36 month period is 36 months. However, the duration period for the federal COBRA subsidy is still the six-month period April 1, 2021 through September 30, 2021.

6. Are overage dependents (age 26) who lost coverage after 11/1/2019 not eligible for COBRA subsidy? Someone briefly mentioned that spouses who lost coverage due to divorce does not qualify them for the subsidy. Does this also apply to stepchildren who lost coverage due to the divorce?

Our understanding is that dependents who lost coverage after November 1, 2019 due to aging out (age 26) or divorce are not eligible for the COBRA subsidy, as their loss of coverage was not due to involuntary termination (of employment) or reduction of hours. The same would be the case for stepchildren who lost coverage due to a divorce.

7. Is the freeze of PPA Zone status related to the ARPA, or was this already the case (slide 14)?

This is a provision of ARPA. There was a similar law back in 2008 called WRERA that also allowed a similar freeze of zone status at that time.

8. Tim referred to C&D Plans. I am not familiar with acronym or description. What is a C&D Plan?

C&D = "Critical and Declining" plans. Generally speaking, these are Red Zone plans that are headed for insolvency (i.e. they are not expected to emerge from Red Zone).

9. What is your experience with green zone plans (even those funded at PPA levels hovering around 100%) being able to make benefit improvements for the participants vs. a climate that seems to advocate freezing any benefit improvements for fear of the possibility of future unfunded liability? In your opinion, is such a fear legitimate reasoning for non-consideration of making responsible benefit improvements?

This kind of analysis definitely depends on the specifics of the plan. As actuaries, we like to see a strong funded % not only now, but also in the future. So other metrics we would look at include a comparison of current contributions to "costs" (accruals + expenses), and projected funded status.

10. Do we know how many plans (approx.) will have CL funded percentage <40% (given super low 30-year Treasury rate)? And how many plans could become critical if they reduced their funding return assumption to "third segment plus 200 bps"?

The Current Liability (CL) funded percentage for 2020 has not yet been reported for most plans. However, based on analysis of 2019 Form 5500 filings, we anticipate around 100 to 150 Critical plans may be eligible for assistance.

The 3rd segment rate + 2% rate is used to determine the amount of the financial assistance, not eligibility. Eligibility is based on the assumptions used in the 2020 PPA Certification.

11. Is the active to inactive ratio from the 5500? (Slide 18 #3)

This isn't clear but will likely be addressed in regulations.

12. What are the new expanded smoothing rules for COVID-19 losses for 2020 and 2021?

Generally speaking, they allow a plan to: (1) take ten years to reflect the investment losses in the Actuarial Value of Assets (instead of the usual five), and (2) amortize the impact of losses over 29 years (instead of the usual 15). These 2 rules will relieve pressure on a plan's credit balance in the near future, and temporarily allow a plan to state a higher funded percentage for Zone status purposes.

13. Is there an estimate of the total amount of what the one-time payments could amount?

The Congressional Budget Office estimated the total cost of the special financial assistance at approximately \$86 billion. At this time, we do not know the specifics of the analysis they used to determine that amount.

14. Are there any known items in ARPA that will specifically impact Sustainable Income Plans or other hybrid designs?

We believe that variable annuity benefit designs, like the Sustainable Income Plan, are not specifically impacted by ARPA. Variable annuity plans would appear to be eligible for relief and we don't believe electing relief would prevent a plan from adopting a variable annuity design in the future. However, we will have to wait and see what the regulations say with regard to the "reasonable conditions" that get imposed on plans applying for financial relief.

15. Can plans still change assumptions for their 2020 plan status filing?

Since the 2020 PPA Certifications for critical plans require providing notice to the DOL and the certification is on file with the IRS, we don't believe that plans will be able to change the assumptions for the 2020 certification and "refile".

16. The PBGC has 120 days to issue the rules for the application process but could the "reasonable standards" rules take longer to issue (withdrawal liability/contributions et al.)?

This is possible but the legislative text suggests that regulations for the full section on special financial assistance are due within 120 days. If plans do not know what conditions will be placed on them, they may not be able to adequately assess if they should apply for assistance.

17. Do you have any comments on determining the priority classifications for special assistance? Does the PBGC determine which plans have priority?

Yes, the PBGC appears to have discretion to limit applications for up to 2 years to plans that (1) are likely to become insolvent within 5 years, (2) are projected to require more than \$1 billion in financial assistance if the special financial assistance is not ordered, (3) have implemented benefit suspensions under MPRA, or (4) meet other criteria determined appropriate by the PBGC. We believe the PBGC has broad discretion to specify both the priority criteria and priority period.

18. What does it mean for a plan to be in Critical Status, less than 40% funded on current liability basis (low interest rates), and have a ratio of active to inactive participants of less than 2:3?

This eligibility criteria will capture many plans in critical status that would not otherwise be eligible for relief. The current liability funded percentage is determined based on an interest rate selected by the actuary from a published range – rates have recently been in the range of 3%, which is much lower than the long-term investment return assumption used by most plans when determining their funded percentage. As a result, there will be plans with PPA funded percentages well above 40% that will have current liability funded percentages less than 40%. The last criteria is a maturity measure – the fewer actives that a plan has compared to its inactive population, the harder it is for that plan to "fix" funding shortfalls. So taken together, this criteria is attempting to identify critical status plans that are unlikely to be able to return to a healthy status without intervention. How much help is available to plans in this situation, and whether Trustees will view the potential assistance as desirable, will depend on how the regulations are written.