



SHEET METAL WORKERS LOCAL PENSION FUND

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To: Plan Participants and Beneficiaries

Re: Application to the Pension Benefit Guarantee Corporation for “Special Financial Assistance”

Date: June 30, 2022

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As you are probably aware, in March 2021 Congress passed a law called the American Rescue Plan Act (“ARPA”). ARPA authorized the Pension Benefit Guarantee Corporation (“PBGC”) to establish a new program to assist struggling multiemployer pension plans by giving plans a sum of money intended to be sufficient to pay promised benefits through the plan year end 2051, called the “Special Financial Assistance” (“SFA”) program. The SFA program was not available for use until the PBGC passed a regulation describing how to use it, and that happened on July 9, 2021. Under the regulation, pension funds that qualify to participate in the SFA program may file an application with the PBGC, but must do so only at or after specific dates, based on a filing priority scheme. For the Pension Fund, which is qualified to apply, the filing window opened in the 1st quarter of 2022.

The Pension Fund has now filed an application for special financial assistance with the PBGC (June 13, 2022) and the PBGC must either approve or reject the application within 120 days (October 11, 2022). The Board of Trustees have approved the following Q&A about SFA for your information.

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Question 1: How much money is the Pension Fund seeking by its SFA application?

Answer 1: \$27.9 million

Question 2: If the Pension Fund’s application is approved, when will it receive the requested assistance?

Answer 2: Not later than 90 days after the PBGC approves the application. So, assuming approval, not later than **January 9, 2023**.

Question 3: How does receipt of SFA money effect the Pension Fund with respect to the suspension of benefits that took effect on May 1, 2020?

Answer 3: As a condition of receiving SFA money, the Pension Fund will be required by law to (i) restore benefit levels to those that are stated in the plan document prior to May 1, 2020 – this means that the benefit amounts ultimately received by those who are in and who later reach pay status will be the same as though the suspension of benefits never happened; and (ii) for those in pay status as of the date the SFA money is received, provide a lump sum payment making up the difference between their pre and post suspension benefit amounts.

Question 4: Will the receipt of SFA money protect the Pension Fund from running out of money in the future?

Answer 4: Yes. The Trustees of the Pension Fund have been advised by the Pension Fund's actuary that with the SFA money the plan IS NOT projected to become insolvent. Put another way, suspending benefits effective May 1, 2020, protected the Pension Fund from a future insolvency, and SFA does too, but without requiring that benefits promised under the plan be reduced in any way. However, it should be kept in mind that the actuary's projections are based on assumptions with regard to the Pension Fund's future experience. If actual experience on and after April 1, 2022 is worse than assumed (for example, actual investment returns are lower than assumed), a projected insolvency could still occur after receiving SFA money.

Question 5: Are there any restrictions on the Pension Fund that come with receiving SFA money?

Answer 5: Yes. The Pension Fund will be considered to be in "critical" status through plan year end 2051 after receipt of SFA. This means that restrictions on plan design imposed by the Pension Protection Act of 2006 will continue throughout that period. There are also restrictions on what the Pension Fund can do with the SFA money – (1) the money can only be used to pay benefits and plan administrative expenses, (2) the money must be segregated from the rest of the Pension Fund's assets, and (3) as presently understood the regulation will require that the money only be invested in very secure "investment grade" fixed income securities.

Question 6: Will the Pension Fund ever be able to restore a future benefit accrual?

Answer 6: Possibly. After receipt of SFA money (assuming the application is approved), the Trustees will study the question in order to determine if, when and how a restoration of future accruals can be prudently done in accordance with the law. This is a matter of high priority to the Trustees.

Question 7: If the window for filing the SFA application opened for the Pension Fund in the 1st Quarter of 2022, why was the application not filed until the 2nd Quarter of the year?

Answer 7: As a result of the market downturn experienced in the Pension Fund's invested assets in the 1st Quarter, waiting until the 2nd Quarter to file the application produced a greater amount of requested SFA. In other words, it was in the best interest of all of the participants and beneficiaries to briefly delay the filing in order to account for the market downturn.

Question 8: Can I read the Pension Fund's SFA application?

Answer 8: Yes. The easiest way is to visit the PBGC's website at which the Pension Fund's application is posted. The address is: <https://www.pbgc.gov/arp-sfa/sfa-applications>

We hope that this information is helpful to you. We intend to continue to provide updates of the status of this matter as the application proceeds through the PBGC's review process.

THE BOARD OF TRUSTEES