

Multiemployer pension relief arrives in 2021



by Matthew Morbello, CCO



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Millions of workers and retirees rely on multiemployer pension plans for their retirement security. If their plans become insolvent, their benefits would be slashed or, without assistance, potentially eliminated. Help finally arrived with the American Rescue Plan Act of 2021 (ARP), signed by President Biden on March 11, 2021.

The ARP is the result of years of legislative efforts to address the looming crisis facing troubled multiemployer pension plans and the Pension Benefit Guaranty Corp. (PBGC). Under the ARP, financially troubled multiemployer pension plans are eligible for financial assistance if they meet one of the following criteria:

- The plan is in critical and declining status in any plan year beginning in 2020 through 2022;
- The plan received approval to suspend benefits under the Multiemployer Pension Reform Act of 2014 (MPRA) by March 11, 2021;
- The plan is in critical status for any plan year beginning in 2020 through 2022, has a “modified funding percentage” of less than 40%, and has a ratio of active to inactive Participants of less than 2-to-3; or
- The plan became insolvent after December 16, 2014; has since remained insolvent; and has not been terminated as of March 11, 2021.

The ARP creates a fund of an estimated \$86 billion, which will be paid by the PBGC in the form of one-time lump sum cash payments that will permit plans to fund benefits for 30 years. Between 185 and 250 plans currently

meet at least one of the above criteria and are potentially eligible for financial assistance.

Plans must apply for financial assistance by the end of 2025, but the PBGC may decide to give priority during the first two years to plans that reduced benefits under MPRA or became insolvent, plans that are expected to be insolvent within five years, and plans that would otherwise be expected to require PBGC assistance in excess of \$1 billion. The program will end in September 2030.

Fewer than 20% of multiemployer pension plans will be eligible for financial assistance. But the ARP will prevent eligible plans from becoming insolvent and rescue the PBGC from running out of funds in 2025. Healthy multiemployer pension plans will benefit from a solvent PBGC and from changes to the funding rules affecting all multiemployer pension plans. For plans eligible for financial assistance and their Participants, the ARP will be a lifeline.

Plan practitioners are mindful that some plans will receive priority consideration based on forthcoming PBGC guidance and are already helping clients prepare to file applications. Recipient plans will use the funds to restore benefits reduced under MPRA and pay benefits and expenses; the balance of the financial assistance must be invested in investment-grade bonds or other approved investments. The PBGC may choose to require recipient plans to limit future benefit increases and retroactive improvements. It will also likely address whether a contributing employer’s withdrawal liability could be reduced by a plan’s receipt of financial assistance.

All eyes are now on the PBGC, which must issue additional guidance by July 9, 2021. •

The ARP will prevent eligible plans from becoming insolvent and rescue the PBGC from running out of funds in 2025.

This article is provided for informational purposes only and does not constitute legal advice. Readers should consult with their own legal counsel before acting on any of the information presented. | Artwork: Shutterstock.com

Safety first as in-person service returns

by Ed Wolyniec, CEO

Is the pandemic winding down? What's the plan for vaccinations? Is it safe to meet with members, trustees and other plan professionals? These are the common questions of the day.

At BeneSys we have begun the process of fully reopening our offices. Needless to say, we are following CDC and local guidelines as they apply to our locations. If you have questions specific to a BeneSys location that serves your members, please contact your plan manager.

As always, I hope you enjoy this edition of the *BeneSys Navigator*. If you would like to have us cover specific topics, or if you have feedback on anything related to BeneSys, please contact me directly at ed.wolyniec@benesys.com.

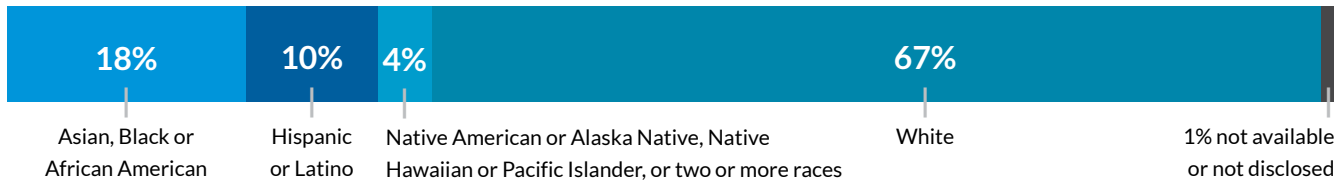
Thanks! •



DIVERSITY | By the numbers

Companies with a diverse workforce tend to have an edge in areas such as innovation, talent retention and financial performance. A recent diversity report at BeneSys showed the following:

Employees by race/ethnicity



Employees by gender



The importance of trustee education



Lee Centrone: “Staying on top of our ever-changing environment can be a full-time job. Fortunately, there are many resources to help.”

To make optimal decisions for their trust funds and the members they serve, trustees need to be well informed about a range of factors, from plan design and asset management to the evolving worlds of legislation and technology. As part of BeneSys’ ongoing commitment to trustee education, we asked Senior Vice President Lee Centrone to talk to our readers about this important topic. Lee has been a trust administrator for more than 20 years, working with trust funds from nearly all industries.

BeneSys Navigator: Trustees play a pivotal role in trust fund administration. Can you discuss some of the complexities they face and why it’s important for them to focus on continuing education?

Lee Centrone: As the fiduciaries for trust funds, trustees are tasked with acting in the sole interest of the Participant and beneficiaries. They are responsible for ensuring that plan assets are used exclusively for the purpose of paying benefits and reasonable costs of plan administration, diversifying fund assets, and acting prudently and in accordance with plan documents that comply with ERISA [Employee Retirement Income Security Act]. Boards of trustees hire plan professionals to help them do this. But trustees are not insulated from liability by relying solely on their plan professionals. A lack of knowledge isn’t a good excuse when talking to a Department of Labor investigator or an IRS auditor, or in a lawsuit.

In order for plan professionals to advise them effectively, trustees need to be well informed about their duties and responsibilities to their funds, about new and different approaches to fund administration, and about new legislation and regulations. Regulations are constantly changing. New legislation this year will significantly impact health and pension plans. New technologies also impact best practices for plan design and trust fund administration; for example, many health plans have added telemedicine in the last few years.

Knowledgeable trustees are also better equipped to monitor and review the services provided by their plan professionals.

Navigator: What challenges specific to Taft-Hartley trust fund administration should trustees strive to stay knowledgeable about?

Lee: There are never-ending challenges to our Taft-Hartley trust funds, including investment management, plan design, benefit funding, contribution collection, cyber threats, fraud, and ensuring that members have access to the health care they need and that their pensions are safe.

Navigator: How can trustees educate themselves about the issues you’ve mentioned?

Lee: Staying on top of our ever-changing environment can be a full-time job. Fortunately, there are many resources to help. It starts with hiring a good team of plan professionals who work together to provide advice and counsel. At BeneSys, we are all here to serve the members and help ensure their financial security. BeneSys also regularly publishes informative articles in the *BeneSys Navigator*, so watch for those.

Trustees can also turn to the plethora of educational resources from the International Foundation of Employee Benefit Plans [IFEBP], which include a magazine, webinars, online courses, and virtual and in-person conferences. Several BeneSys plan managers including myself are pleased to be frequent speakers at IFEBP events. The IFEBP also provides a great guided trustee education path, offering New Trustees Level I, Trustees Level II, the Trustees Masters Program, and the TMP Advanced Leadership Summit.

Navigator: Can you leave us with one quick tip that trustees can implement right away?

Lee: One simple best practice to consider is setting aside time at each trust meeting to review one or two of your plan documents and policies, ensuring the board of trustees stays informed and the policies are kept up to date. •

TECH NEWS

IT systems pass security test

Our IT team is pleased to report that BeneSys completed our 2021 external security penetration test in February with great results and no critical findings. This annual testing by an outside company is part of our ongoing effort to protect against cyber hackers and other potential threats. Keeping vital customer data secure is a priority at BeneSys!

Engaged employees make for happy clients

BeneSys aims to be a great service provider to our members, and to achieve this we need engaged employees who love where they work. That is why

we recently rolled out a new corporate culture initiative built on three key traits: collaboration, dedication and integrity.

“Having a clearly defined company culture will help lead BeneSys into the future,” says Susan Hecker, director of Human Resources. “The three traits of collaboration, dedication and integrity are aligned with our company objectives and foster a positive environment where our employees can do their best work and grow as professionals.”

Employees were instrumental in defining the new corporate culture. A dozen employees served on the initiative’s steering committee, and all employees were invited to respond to a survey that helped define the key traits as they pertain to BeneSys:

- **Collaboration:** Working together across departments and with colleagues, plan professionals and trustees to achieve the best for the company and our clients.
- **Dedication:** Striving to create an environment in which all employees work together toward a common goal while committing to provide the best customer service to our colleagues and members.
- **Integrity:** Doing the right thing by upholding strong ethical and moral principles that are followed at all times. Doing what we say we will do.

“We want BeneSys to be a place where people want to work, feel proud of what they do and feel fulfilled both professionally and personally,” Susan says. “Working together, recognizing people’s dedication and working with integrity makes us that type of company for our employees.”

And engaged employees make for happy clients.

“The stronger our team is internally, the better equipped we are to deliver exceptional service,” Susan says. “Our newly defined company culture positions us well to continue to hire and retain the best and brightest employees, who in turn will take good care of our clients and members.” •



ABOUT BENESYS

BeneSys has been providing Taft-Hartley trust fund administration and IT services since 1979.

Our dedicated specialists understand the nuances of Taft-Hartley benefit plans, and our software system, BenefitDriven, is designed to give our clients and their plan Participants the most efficient tools for self-administering trust fund accounts.

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