

# Currents

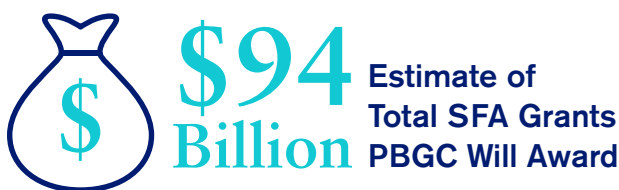
Quarterly Recap for Multiemployer Retirement Plan Sponsors

Third Quarter 2021

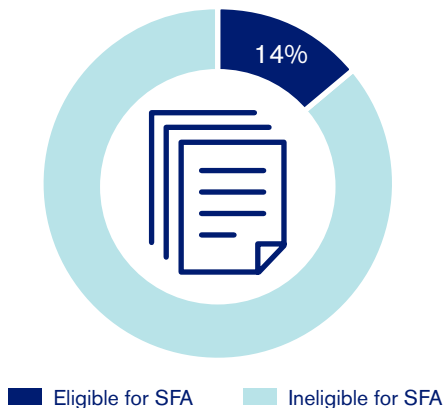


## Key statistics

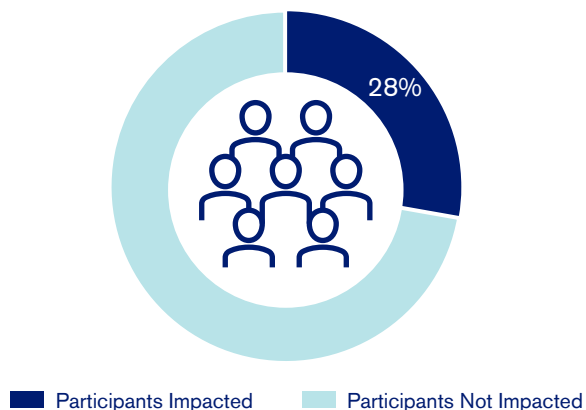
These are the key facts to know about the American Rescue Plan Act of 2021 (ARPA) and the special financial assistance (SFA) program:



200 Multiemployer Pension Plans Eligible for SFA



3 Million Workers, Retirees and Their Families Potentially Impacted by SFA



Source: [PBGC](#), 2021

## Investment trends

### Workers seek influence as companies tackle environmental transition

Environmental issues are more prominent in the 2021 proxy season than in years past, matching an uptick in environmental focus seen in regulatory action and voluntary commitments coming from the private sector. New in 2021 are proposals centered on shareholder approval of climate-change plans. To date in 2021, 24 companies have put forth climate-change plans for shareholder approval. Segal Marco's view is climate transition strategies are challenging to parse and not all shareholders have the expertise to evaluate the complexity. We are in favor of companies publicly disclosing their progress towards stated commitments.

For a more detailed discussion of environmental issues in the proxy season, see Segal Marco Advisors' [July 6 article](#).

### The Fed and interest rates

On June 21, 2021, U.S. Fed Chair Jerome Powell noted, "as these transitory supply effects abate, inflation is expected to drop back toward our longer-run goal." What did he mean by that? Words are a highly imperfect representation of human insight, and human insight is — using some synonyms for "transitory" — ephemeral, fleeting and impermanent. Back in 2015, the Fed gave us insight into its so-called "forward guidance," telling us that it provides communication to the public about the **likely future** course of policy.

It was John Maynard Keynes who said, "When the facts change, I change my mind — what do you do, sir?" This is how one should interpret the guidance we are now getting from the Fed: We don't see permanent 70s-like inflation on the horizon based upon everything we know, but we do see stubborn unemployment. Given that we have had a long period of under-target inflation, we think we can stay accommodative with the expectation that inflation has some room to run while

the U.S. economy returns to a more normal employment environment. We wouldn't bet against that — for now.

Learn more about the Fed and interest rates in this Segal Marco Advisors' [May 25 article](#).

## Selected strategy for managing multiemployer retirement plans

### ARPA's impact on multiemployer pension plans

ARPA, which was signed into law on March 11, 2021, created the SFA program under which the PBGC will provide grants to eligible plans that are facing insolvency.

Based on initial guidance from the PBGC, the multiemployer community must consider how this changes the landscape for troubled plans and the future of the PBGC, already itself under threat of insolvency.

Some SFA complexities to learn about and consider:

- The SFA amount is determined to avoid insolvency before 2051; put another way, the SFA amount is determined such that a plan will become insolvent exactly in 2051, if all assumptions are realized.
- There is an interest rate disparity between what the fund uses for minimum funding assumptions and investment requirements on SFA funds.
- Although some plans may meet the criteria to apply for SFA, they could discover that the calculation of the SFA will be zero.
- Perhaps most vexing, trustees of plans with MPRA-approved benefit suspensions must consider the choice of continuing their path of suspended benefits (and turn down SFA), or applying for SFA, which requires restoring previously suspended benefits.

For more information about ARPA's impact on multiemployer pension plans, see our [August 13 article](#).

## Compliance reminders

### DOL guidance on illustrating DC plan lifetime income

The SECURE Act requires sponsors of DC plans with participant-directed investments to provide an individual benefit statement at least quarterly; other plans must provide the statement annually.

Under the current effective date, no notice is required until late 2021 or 2022; until the update is issued, it is not known whether this effective date will remain.

For plans with a recordkeeper, it is likely that entity will follow the new guidance. For plans without a recordkeeper, it will be important to take steps to ensure these lifetime income illustrations are set up properly. Segal can assist with these requirements.

The interim final rule contains required illustrations (single-life annuity, joint-and-100-percent-survivor annuity), required assumptions, model language, required timing of statements and discussions of ERISA liability.

Learn more about the guidance on illustrating DC plan lifetime income in our [February 11 insight](#), or consult your Segal consultant.

### IRS extends “physical presence” relief

The IRS has extended, for an additional year, its temporary option to use e-signatures and video for any participant elections that a plan representative or a notary public must physically witness. This pertains to obtaining spousal consent to waive optional benefit forms. The latest IRS guidance extends the relief, without change, to June 30, 2022.

For more information about this “physical presence” relief, see our [June 28 insight](#).

To discuss the implications for your plan of anything covered here, contact your Segal consultant or [get in touch via our website, segalco.com](#).

This *Currents* was published in September 2021. To see previous issues or other Segal publications, [visit the insights page of our website, segalco.com](#).

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