

Western States Office and Professional Employees Pension Fund

Pension Legislation Questions and Answers

April 26, 2021

To: All Plan Participants, Beneficiaries and Employers

From: Board of Trustees ("Board"), Western States Office and Professional Employees Pension Fund ("Western States Pension")

Subject: Q&As on New Pension Plan Provisions enacted in March 2021

On March 11, President Biden signed into law the **American Rescue Plan Act of 2021** ("ARPA"). You may be aware of these new pension provisions due to media coverage. The Board has reviewed the legislation and is proceeding to assess all options that may be available under the new law. As noted above, regulations issued by government agencies will provide important details and requirements. The Board will take those regulations into account once they are issued. In the meantime, the Board is providing these Q&As to let you know how the legislation could potentially impact your benefits under the Western States Pension. You can view the Q&As and any future updates on the Plan's website: wspensionbenefits.org.

Q1 – Q8 FAQs on the American Rescue Plan Act of 2021

Q9 FAQ on Western States Pension's current financial status

Note: Prior FAQs and Plan documents on a variety of subjects are available at the Plan's webpage. Click on the Documents tab and then the drop-down Pension tab. You do not have to login to access the documents.

Website address: www.ourbenefitoffice.com/wspension/benefits/

Disclaimer:

Many details are still unknown about the new pension provisions included in the American Rescue Plan Act of 2021. Regulations are expected to be published in mid-July. The potential impact of this new legislation will not be known until this and other additional guidance is provided by the Department of Labor and the Department of the Treasury.

Q1: What is the American Rescue Plan Act of 2021?

A1: The American Rescue Plan Act of 2021 is a \$1.9 trillion economic stimulus package signed by President Biden to speed up the nation's recovery from the economic and health effects of the COVID-19 pandemic.

Included in ARPA are provisions that provide financial relief for certain multiemployer pension plans. Specifically, ARPA authorizes the Pension Benefit Guarantee Corporation ("PBGC") to provide financial assistance to pension plans that previously reduced benefits under the Multiemployer Pension Reform Act ("MPRA").

Q2: Is the Western States Pension eligible to apply for APRA financial assistance?

A2: Yes. The Western States Pension is eligible for this APRA financial assistance because in 2018 plan benefits were reduced under MPRA.

Q3: What are the issues associated with applying for financial assistance under APRA?

A3: At this time, there are three primary concerns about the new legislation. First, the amount of assistance available is unclear without additional guidance. Second, there is a concern about restrictions that may be placed on plans that apply for assistance. Third, the long term consequences of the assistance are unknown.

While the new legislation looks promising, there are not enough details currently available for the Board to determine if receiving the financial assistance would be beneficial for the Plan or harm the Plan's long term financial outlook. As noted earlier, the PBGC is required to issue regulations in mid-July that will provide additional details. Until then, the Board will not know how the APRA financial assistance will impact the long-term financial health of the Western States Pension.

Q4: Does the Board plan to submit an application to receive APRA financial assistance?

A4: The Board is aware of the importance of moving as quickly as possible to evaluate whether to file an application. Here are some important points about APRA:

- As part of the evaluation process, the Board will take into account all relevant factors.
- The evaluation may take some time after the upcoming PBGC regulations are issued in mid-July. First, additional guidance may be needed on issues not covered by the regulations. Second, the PBGC has the authority to stagger applicants to manage its workload.
- The Board will need to balance the benefits and possible detriments of accepting APRA financial assistance, including potential harm to the Plan's long-term financial outlook.
- As noted in Q&A #3 above, there are many unknowns about the new legislation at this time. Regulations providing additional details are expected to be issued in mid-July.

Q5: Will my Plan benefit change if the Western States Pension receives financial assistance from the PBGC?

A5: Yes. As ARPA is currently understood (as noted above, implementing regulations are pending), if APRA financial assistance is received:

- The MPRA benefit suspensions that took effect October 1, 2018, will be reinstated prospectively.
- Retirees and beneficiaries who received reduced benefits as a result of the MPRA benefit suspensions will receive a lump sum payment. The lump sum is based on the difference between the benefits received since October 1, 2018 and benefits that would have been received if the MPRA benefit suspensions did not occur.

Q6: How long will the application process take?

A6: At this time, the date on which the application process opens and the length of the application and review process is unknown. Additional details may be available after the PBGC issues regulations in mid-July. What is known is that statute gives the PBGC 120 days to respond to an application once the application is filed.

Q7: Is any work being done to prepare for the financial assistance application?

A7: Yes. The Board has directed plan professionals to gather and prepare as much information as possible that can be used for an application once the PBGC opens the application process.

Q8: Is there anything I need to do with regards to this process?

A8: No. There is nothing you need to do at this point. However, please make sure the Plan Administrator has your current address and contact information. The Board will provide periodic updates throughout this important process.

Q9: What is the Plan's current financial situation?

A9: The Plan continues to be in Critical Status. However, the Plan's financial situation is improving due to the benefit reductions that took place on October 1, 2018 and the Plan's recent investment performance.

As a result of the benefit reductions, the Plan's funded percentage improved from 61% to 79% on January 1, 2019. Since then, the Plan has experienced favorable investment returns which have also improved the funded percentage of the Plan. Using preliminary actuarial value of assets and liabilities, the Plan's funded percentage was estimated to be 81% as of January 1, 2021.

Looking forward, the Plan's funded percentage is expected to trend upward and is projected to be fully funded (i.e. 100% funded percentage) in 2030 and the Plan is expected emerge from Critical Status into the Green Zone in 2032. These projections provided by the Plan's actuary assume the MPRA benefit reductions remain in place and future plan experience matches expectations, including future investment returns of 7% per year.