Bricklayers & Trowel Trades International Pension Fund

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Date: December 3, 2010
To: All IPF Participating Local Unions and Employers
From: Board of Trustees, Bricklayers and Trowel Trades International Pension Fund
Re: IPF FUNDING IMPROVEMENT PLAN EFFECTIVE DECEMBER 2010

Under the Pension Protection Act of 2006 ("PPA"), a multiemployer plan's actuary must certify a plan's funded status within ninety (90) days after the start of a Plan Year. In the notice you received in April 2010 (the "Notice"), the actuary for the Bricklayers and Trowel Trades International Pension Fund (the "IPF") certified the IPF as being in "Endangered Status" for the Plan Year beginning January 1, 2010. Since April 2010, a continued contraction in the construction industry has led to a further deterioration of work opportunities for IPF participants and contributing employers and a further decrease in contributions to IPF.

As the sponsor of a plan in Endangered Status, the Board of Trustees is required under the PPA to develop a Funding Improvement Plan ("FIP"). This FIP must consist of schedules provided to the IPF's Contributing Employers and Local Unions (the "Bargaining Parties") showing revised benefit structures and contribution structures (the "Schedules") that apply to new, successor or reopened collective bargaining agreements and participation agreements ("CBAs") and that are designed to permit the Fund to achieve certain legislatively mandated benchmarks by the end of the Funding Improvement Period.

More specifically, the FIP must avoid a funding deficiency during the Funding Improvement Period and improve the IPF's funded status by at least one-third of the way to 100% funded from the IPF's funded percentage as of January 1, 2012, the start of the IPF's 10-year Funding Improvement Period. For comparison purposes, the IPF's funded percentage is 71.2% as of January 1, 2010.

Trustees of plans in Endangered Status must include at least two proposals in the FIP: one that reduces future benefit accruals with contributions continuing as currently found in the CBA and further increases as necessary to achieve the mandated benchmarks (the "Default Schedule" proposal), and another which increases the amount of current contributions necessary to achieve the mandated benchmarks and sustains current benefit accruals (the "Alternate Statutory Schedule" proposal). Those Schedules would be imposed where the bargaining parties fail to reach agreement. In addition, the Trustees have devised a schedule which lies between the two proposals required by PPA ("the Preferred Schedule"). ***The Trustees have adopted this schedule as they believe that it is not only more effective than the Default Schedule that would apply where bargaining parties fail to agree, but is both fair and equitable to both the employers and the participants.***

Unless this FIP is modified by the Trustees in the course of annual review, all new, successor or reopened CBAs that become effective on or after January 1, 2011 must comply with a collectively-bargained Preferred Schedule or the legally-imposed schedules or the contributing employer's participation in the Fund will be terminated and withdrawal liability may be assessed. Unless otherwise indicated, all capitalized terms used in these Schedules shall have the definitions and meanings assigned to them in the IPF's Plan Document.

The Schedules that were recently adopted by the IPF Trustees are set forth below.

1. The Preferred Schedule

The Preferred Schedule will require a Contributing Employer to make specified annual contribution rate increases in order for its employees to receive the rate of benefit accrual provided under this Schedule. As set forth below, the accrual is reduced from current levels.

For CBAs that expire or reopen on or after January 1, 2011, the employer and local must agree to an increase in the IPF contribution rate of 3% effective 1/1/2013 and, following a one-year hiatus in increases, annual increases of 3% effective 1/1/2015 for the duration of the Funding Improvement Period. These increases are on top of the current IPF PPA 15% contribution rate and, like the 15% IPF PPA contribution, are non-benefit bearing.

For participants working for contributing employers who are in compliance with the Preferred Schedule: Effective January 1, 2012, the pension benefit accrual will be reduced prospectively from $1.40 to $0.85 per dime of benefit-bearing IPF contribution rate. In addition, the accrual for years of service earned on and after January 1, 2012 will be subject to a 6% early retirement reduction for each year an active participant's retirement precedes age 64. Those Bargaining Parties that failed to implement a 15% IPF PPA rate starting with new rates on an after April 1, 2009 will have a benefit accrual of $.40 per dime as of January 1, 2012 and must implement the annual 3% increase noted above for 2013 and a 3% per year PPA increase annually for 2015 to 2021.

2. <u>The Statutory Mandated Schedules</u>

   a. The Default Schedule (zero future accrual during the 10 year FIP with current IPF and IPF PPA rates to increase as deemed necessary, all contracts to pay the 15% IPF PPA rate (including those which did not implement the PPA rate upon introduction in 2009))
   b. The Alternate Statutory Schedule (current $1.40 per $.10 accrual continues with PPA contribution increases of 4% per year 2013 to 2016 and 6% per year 2017 to 2021, with such increases in addition to the current IPF PPA 15% rate and, like the IPF PPA contribution are non-benefit bearing.)

3. <u>Annual Review of Funding Improvement Plan and Schedules</u>

The Trustees will review the FIP and its Schedules annually with the assistance of the Fund's actuary, and reserve the right to amend its terms or adopt a new FIP. A CBA that adopts one of the Schedules provided under this FIP may remain in effect for the term of the CBA and does not have to be reopened or modified in the event the Trustees amend the FIP or adopt a new FIP.

These changes are made necessary by the current challenges in the construction industry and regulatory environment. It is hoped that regulatory relief and improved activity in the Masonry Industry as well as sustained investment market returns will minimize the need for contribution increases and benefit accrual reductions over the entire 10 year FIP. To insure a uniform administration of benefits, which is assumed in these projections, it is imperative that the Bargaining Parties adopt the Preferred Schedule. As noted above, the Board of Trustees remains committed to protecting the interests of all IPF participants and will continue to work with local unions, contributing employers, members of Congress and others to address the ongoing challenges facing pension funds.

If you have any questions regarding this matter or to confirm your election of the Preferred Schedule, please contact the IPF Fund Office at 1-888-880-8222, via email at <u>dstupar@ipfweb.org</u> or write to David F. Stupar, Executive Director, Bricklayers & Trowel Trades International Pension Fund, 620 F Street N.W., Suite 700, Washington, D.C 20004.

cc: IPF Administrative Committee
BAC Regional Directors
BAC Collective Bargaining Department