Southwest Ohio Regional Council of Carpenters Pension Plan
Checklist Item #20

Does the application describe how the plan sponsor took into account — or did not take into account — the factors listed in Section 5.02 in the determination that all reasonable measures were taken to avoid insolvency? See Section 5.03.

The narrative description of how the plan sponsor took into account — or did not take into account — the factors listed in Section 5.02 in the determination that all reasonable measures were taken to avoid insolvency is attached as Document 20.1.
Southwest Ohio Regional Council of Carpenters Pension Plan
Document 20.1

The Board of Trustees of the Southwest Ohio Regional Council of Carpenters Pension Plan determined that it had exhausted all reasonable measures in December, 2014. The determination of that the Plan had exhausted all reasonable measures to avoid insolvency was considered and debated during the 2014 Plan Year. The factors set forth in Section 5.02 of Internal Revenue Service Revenue Procedure 2016-27 were taken into account in the determination as follows (Note – a number of factors are addressed together):

Prior Reductions of Adjustable Benefits under §432(e)(8)

At the time of the determination that the Plan had exhausted all reasonable measures to avoid insolvency in December of 2014, the Board of Trustees had removed all adjustable benefits under §432(e)(8). The Board of Trustees recognized that previously valued and popular options, such as subsidized early retirement, subsidized total and permanent disability benefits, and a return of contributions death benefit were no longer available to active participants.

Contribution Levels

The Impact of benefit and contribution levels on retaining active participants and bargaining groups under the Plan

The impact of past and anticipated contribution increases under the plan on employer attrition and retention levels

Further, despite significantly and consistently raising the hourly contribution rate every year since 2003, from $2.40 to $6.95 per hour, including a three-year period in which the bargaining parties contributed an additional $2.00 per hour to the Plan through the diversion of amounts previously allocated to the Ohio and Vicinity Regional Council of Carpenters Health and Welfare Plan, the Plan's funded status did not improve. The Plan's aggregate hours worked remained stagnant and apparently permanently lower than prior to the financial crisis in 2008. The Plan's rehabilitation plan called for a $0.25 increase for each year beginning June 1, 2011 and scheduled to end June 1, 2020 at $8.20 per hour. The Plan's actuary informed the Board of Trustees that the continued increase in the Plan's contribution rate would not prevent the eventual insolvency of the Plan.

The continued increase of the hourly contribution rate combined with the noticeable elimination of adjustable benefits was not popular with participants. Similarly, a number of employers complained about the increasing pension contribution and its impact on competitive bidding. Following the 2008 financial crisis, the Plan assessed a number of employers for withdrawal liability. A few of the employers withdrew from the Plan believing that they could compete more successfully without the burden of mandatory contributions to the Plan. There was concern among the Board of Trustees that continued increases in the hourly contribution rate would lead to further employer and active participant exodus from the Plan.

After the initial determination that the Plan exhausted all reasonable measures in December, 2014, the Board of Trustees amended the Rehabilitation Plan in September, 2015 to cease the increase of the hourly contribution rate at $6.95, rather than risk possible further erosion of the active participants or contributing employers.
Levels of Benefit Accruals, including any prior reductions in the rate of benefit accruals

Compensation Levels of Active Participants Relative to Employees in the Participants' Industry Generally

The active participants of the Plan contributed similar or higher hourly contribution rates for less of an accrued benefit than other carpenter funds in the State of Ohio and nearby. Further, the active participants were no longer able to retire prior to age 62 without the application of an early retirement reduction factor to their monthly benefit, or receive a return of contributions benefit in the event of their death prior to receiving monthly benefits equal to the hourly contributions made on their behalf.

In comparison to the $6.95 per hour contribution rate and $50.00 benefit credit based on 1500 hours worked for active participants in the Plan, the other larger nearby Carpenter pension funds each provided a significantly higher benefit.

<table>
<thead>
<tr>
<th>Union / Craft</th>
<th>Year</th>
<th>Contribution Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ohio Carpenters Pension Plan</td>
<td>2014</td>
<td>Between $5.44 - $6.74 per hour contribution rate (for a 1.0% benefit credit), which would equal approximately between $81.60 - $101.10 annual benefit credit based on 1500 hours worked.</td>
</tr>
<tr>
<td>Indiana / Kentucky/ Ohio Regional Council of Carpenters Pension Plan</td>
<td>2014</td>
<td>$7.34 per hour contribution rate (for a 0.90% benefit credit), which would equal approximately $99.09 annual benefit credit based on 1500 hours worked.</td>
</tr>
</tbody>
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With this information, the Board of Trustees determined that further reductions to the rate of benefit credit (from $50 per Year of Credited Service) would not be reasonable and have an adverse impact on retaining active participants.

Competitive and other Economic Factors Facing Contributing Employers

The Board of Trustees considered the competitive and other economic factors facing contributing employers. Primarily, with respect to the determination that the Plan had exhausted all reasonable measure to avoid insolvency, the Board of Trustees took into account the reduction in the number of contributing signatory employers to the Plan (256 during the 2000 Plan Year to 182 during the 2016 Plan Year) and the amount of hours worked per Plan Year. The Board of Trustees noted that it was unlikely that the amount of hours worked would return to the 3,000,000 plus per year level common prior to 2008 any time soon.

Measures Undertaken by the Plan Sponsor to Retain or Attract Contributing Employers

The Board of Trustees discussed the fact that few new contributing employers would desire to accept an obligation to contribute to the Plan due to the presence of withdrawal liability, regardless of the "free look" provision adopted by the Plan. Thus, the Board of Trustees determined that the cessation of
the continued increase of the hourly contribution rate would help prevent the exit of any current contributing employers.

The Impact on Plan Solvency of the Subsidies and Ancillary Benefits Available to Active Participants.

As of January 1, 2013, the Plan did not provide any subsidy or ancillary benefit to any active participant. There were no subsidies or ancillary benefits to preserve or consider removing in connection with the determination that the Plan had exhausted all reasonable measures to prevent insolvency.

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The factors set forth in Section 5.02 of Internal Revenue Service Revenue Procedure 2016-27 that the Board of Trustees did not take into account in the determination, even nominally, is limited to the following:

Any prior suspension of benefits under Internal Revenue Code §432(e)(9)

The Board of Trustees declared that the Plan had exhausted all reasonable measures December 4, 2014. At that time, the Multiemployer Pension Reform Act of 2014 had not yet been adopted, and, thus, no prior suspension of benefits under Internal Revenue Code §432(e)(9) occurred or was taken into account in the determination that all reasonable measures had been taken to avoid insolvency.

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The only other factor the Plan considered was the possibility that some legislative action would provide the Plan some additional methods or tools to address its funding deficiency; however, at the time of the determination that the Plan had exhausted all reasonable measures to avoid insolvency, this possibility seemed unlikely.

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In sum, the Board of Trustees determined that the Plan had exhausted all reasonable measures to avoid insolvency because the current rehabilitation plan would result in a funding deficiency within the next Plan Year, the continued increase in the hourly contribution rate or further reduction of the rate of benefit accrual would likely have an adverse impact on the Plan, and the Plan did not have any additional adjustable benefits or ancillary benefits to remove.