ARIZONA BRICKLAYERS' PENSION TRUST FUND

APPLICATION FOR APPROVAL OF

SUSPENSION OF BENEFITS

UNDER THE

MULTIEMPLOYER PENSION REFORM ACT OF 2014

SEPTEMBER 30, 2020

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<u>SECTION 1</u>. BACKGROUND AND PROCEDURE

The Board of Trustees of the Arizona Bricklayers' Pension Trust Fund (the "Plan") submits this application and the accompanying Exhibits to the Secretary of the Treasury for approval of a proposed suspension of benefits. A contemporaneous application for partition is being filed by the Plan with the Pension Benefit Guaranty Corporation ("PBGC"). The application is made pursuant to Internal Revenue Procedure 2017-43 (the "Revenue Procedure") and the Department of the Treasury's final regulations issued under §432(e)(9) of the Internal Revenue Code of 1986, as amended, (the "Code") as published in the Federal Register on April 28, 2016 (the "Regulations").

Under §432(e)(9)(G) of the Code the Secretary of the Treasury shall approve an application for the suspension of benefits upon finding that the Plan is eligible and has satisfied the criteria of subparagraphs (C), (D), (E) and (F) of §432(e)(9) of the Code. As set out in detail below, the Plan is eligible to suspend benefits and has satisfied each of the criteria under the Code and the Regulations.

<u>SECTION 2</u>. APPLICATION PROCEDURES

<u>2.01</u> <u>Application submitted by plan sponsor</u>.

This Application for Approval of Suspension of Benefits under the Multiemployer Pension Reform Act of 2014 (the "Application") is submitted by the Plan Sponsor, as defined at §432(j)(9) of the Code, as required under the Regulations. The Application is signed by the current Chairman and Secretary of the Board of Trustees of the Plan who are so authorized under the Plan's agreement and declaration of trust and the letter of authorization executed by the full Board of Trustees for purposes of the Application.

<u>2.02</u> <u>Term of the plan's proposed suspension of benefits</u>.

(1) <u>Effective date</u>.

The Trustees of the Plan propose that the suspension be effective (the "Effective Date"), after the application has been approved and the result of the participant vote has been determined, on January 1, 2022.

(2) <u>Expiration date</u>.

The proposed suspension shall remain in effect indefinitely. It will not expire by its own terms.

(3) <u>The proposed suspension</u>.

<u>Description of Proposed Suspension</u>

The proposed benefit suspension shall be accomplished by recalculating all accrued benefits and applying a maximum reduction in benefits to 110% of the PBGC guarantee amount. No special groups of participants or beneficiaries will be treated differently other that as required by law so that:

- Disability based benefits will not be reduced;
- Participants or beneficiaries who are at least 80 years of age on January 31, 2022, will have no reductions; and
- Participants or beneficiaries who are between 75 and 80 years of age on January 31, 2022, will have a smaller benefit reduction.

2.03 Penalties of perjury statement. *See*, **Exhibit 3.**

2.04 Public disclosure statement. *See*, **Exhibit 3.**

SECTION 3. DEMONSTRATION THAT THE PLAN IS ELIGIBLE FOR SUSPENSION

3.01 Plan actuary's certification of critical and declining status.

The Plan actuary's required certification (issued March 30, 2020) is found at **Exhibit 4** to the Application as required under Code §432(b)(3)(A). The Plan is certified as being in critical and declining status for the Plan Year beginning January 1, 2020. The certification is supported by the January 1, 2019 actuarial valuation report (issued May 5, 2020, and found at **Exhibit 30**) and the actuary's supporting illustrations attached to the required certification is found at **Exhibit 5**, which includes a year-by-year projection of the Plan's available resources and the benefits under the Plan demonstrating that the Plan is projected to become insolvent during the Plan Year ending December 31, 2039. The certification includes descriptions of the assumptions and methods applied, with reference to further detail in the January 1, 2019, actuarial valuation report. The year-by-year projection information separately identifies (1) the market value of assets as of the beginning and end of the Plan Years ending December 31, 2019, through December 31, 2039, and the following cash-flow items for those years: (2) employer contributions, (3) withdrawal liability payments, (4) benefit payments, (5) expenses, and (6) investment income. Additionally, the summary of assumptions includes projected total contribution base units for the period from Plan Year ending December 31, 2019, through December 31, 2039. Additional information regarding the assumptions used in the projections supporting the 2020 critical and declining status certification is found at **Exhibit 6**, *Report of Required Actuarial Information*.

3.02 Plan actuary's certification that the plan is projected to avoid insolvency.

Exhibit 7 is the Plan actuary's projection that the Plan, with the suspension as described above and partition ordered as requested from PBGC will avoid insolvency. Supplementing the projections and providing the required certification is **Exhibit 6** the Plan actuary's *Report of Required Information* which sets forth all of the required supporting illustrations and assumptions. The certification and supporting projections satisfy the requirements of Code §432(e)(9)(C)(i) by providing a year-by-year projection demonstrating that, with the proposed partition and suspension taking effect on January 1, 2022, the Plan is projected to avoid insolvency within the meaning of Code §418E. The supporting exhibits also separately identify the available resources during each year and the market value of assets and changes in cash flow.

3.03 Plan sponsor's determination of projected insolvency.

The Trustees of the Plan have made a prudent determination under Code §432(e)(9)(C)(ii), after consideration of all of the available information and all remaining possible Plan changes, that the Plan is projected to become insolvent unless a partition is ordered and benefits are reduced as proposed in the *Application*. The Trustees have determined this to be so even though they have taken all reasonable measures to avoid insolvency. The Trustees' determination of projected insolvency includes consideration of all of the measures taken to avoid insolvency over the past 10 plan years, as discussed in Section 3.04 of this *Application*.

Notwithstanding the actions taken as described here and in other parts of this *Application*, the Plan's funded status has continued to decline. As reported in the 2020 actuarial PPA status certification, the Plan's 2020 PPA funded ratio is 92.2% with a projected year of insolvency of 2039.

The Trustees have now prudently determined that notwithstanding their past and possible future actions, the Plan cannot be projected to avoid insolvency if the proposed partition and suspension of benefits is not approved and applied to the Plan.

3.04 Consideration of Specific Plan Factors.

(1) The determination that all reasonable measures have been taken to avoid insolvency includes the consideration of the Plan factors specified in Section 432(e)(9)(C)(ii) for the 10 plan years immediately preceding 2020.

(a) Current and past contribution levels.

The Plan consists of employers in the masonry industry, which declined significantly during the great recession and has not yet fully recovered. Eventual recovery remains uncertain. The significant decline in the industry caused a reduction in the number of employers and active participants in the Plan from 30 to 10 employers and 579 to 54 active participants from 2007 to 2019. This includes two large employers that left the Plan to continue as "non-union" employers. As a result, there are insufficient contributions to the Plan to sustain the plan at a healthy level as required by ERISA and the Code. See **Exhibit 6** for a summary of past and current contribution levels over the most recent 10 years.

(b) Levels of benefit accruals including any prior reductions in the rate of benefit accruals.

The current benefit accrual level is $30 per month per year of service. This rate was reduced from $43 effective for benefit accruals January 1, 2007 and after. The Board determined that further reducing the benefit accrual level and further eliminating adjustable benefits would leave very little incentive for participants to remain union employees and would therefore have a detrimental impact on the Plan's future funding.

(c) Prior reductions of adjustable benefits under Section 432(e)(8).

The benefit reductions in the Rehabilitation Plan include almost all adjustable benefit reductions.

(d) Prior suspension of benefits under Section 432(e)(9).

This factor is not applicable as the Plan has not had a prior suspension of benefits under Section 432(e)(9).

(e) Measures taken to retain or attract contributing employers.

The Trustees' view is that having no future planned contribution rate increases is the only option to retain contributing employers without negatively impacting the Plan's future funding.

(2) The impact on plan solvency of the subsidies and ancillary benefits available to active participants.

As noted above, almost all adjustable benefits have been eliminated under the Rehabilitation Plan.

As of March 31, 2015, the Plan was not certified to be in critical status for that plan year but was projected to be in critical status in one or more of the subsequent five plan years. For plan year January 1, 2015 through December 31, 2015, the Plan did not elect critical status.

By the next plan year, it became fully clear that the Plan's decreasing funding levels required action beyond that available to the Trustees absent election of critical status and utilization of the tools the PPA provides. The Plan was first certified to be in critical status as of March 30, 2016. On May 5, 2016, the Trustees adopted a Rehabilitation Plan, implementing all reasonable measures for the purpose of attempting to emerge from critical status and to avoid insolvency, consisting of benefit changes.

The 2016 Rehabilitation Plan, the 2019 Update to the plan, associated schedules and correspondence are attached as **Exhibit 8**. A summary is provided here.

Rehabilitation Plan Adopted May 5, 2016

Preferred Schedule (elected by all employers)

Benefit Changes:

- Changed eligibility for disability benefit to require participant to have worked 1,000 or more hours in Covered Employment for a signatory contractor in the 12-months prior to onset of disability.
- Changed early retirement factors to actuarial equivalent factors.
- Eliminated pre-retirement death benefit.
- Eliminated post-retirement 36-month guarantee feature.
- Changed delayed retirement factors to actuarial equivalent factors.
- Changed optional form factors to actuarial equivalent factors.

Contribution Increases:

- None.

Default Schedule (not elected or imposed on any employer)

Benefit Changes:

- Reduced future benefit accrual rate to $9 per pension credit.
- Eliminated disability benefit.
- Changed early retirement factors to actuarial equivalent factors.
- Eliminated pre-retirement death benefit.
- Eliminated post-retirement 36-month guarantee feature.
- Changed delayed retirement factors to actuarial equivalent factors.
- Changed optional form factors to actuarial equivalent factors.

Contribution Increases:

Required contribution rate increase of $3.85 per hour.

Although the Trustees made significant plan changes, the Plan's actuary determined that if all adjustable benefits were eliminated and future accrual rates were reduced to 1.00% of the contribution level, hourly contribution rates would need to increase from $0.90 to $4.75 per hour over the 10 year rehabilitation period to enable the Plan to emerge from critical status by the end of that period. Given the demographics of the Plan's remaining employers and the nature of the masonry industry in Phoenix, the Trustees determined that the actuarially required contribution rate increases would in fact harm the Plan by making employers uncompetitive when bidding for work, resulting in still fewer hours for the remaining active employers. Contribution increases, the Trustees reasoned, would also precipitate further employer withdrawals and bankruptcies. Therefore, the preferred schedule maintained the $0.90 contribution rate (while the default schedule required substantial increases). Additionally, the Trustees determined that the elimination of all adjustable benefits would leave the remaining active participants with little or no reason to remain union employees.

Notwithstanding the measures described above and given the poor 2018 investment performance, for plan years 2019 and 2020, the Plan was certified to be in critical and declining status. Again, the Trustees determined that based on reasonable assumptions and the exhaustion of all reasonable measures the Plan could not reasonably be expected to emerge from critical status by the end of the rehabilitation period or at a later time, and so resolved to implement additional reasonable measure to avoid insolvency. This determination was documented in the update to the Rehabilitation Plan for the 2019 plan year, which is included in **Application Exhibit 8**.

As noted above, substantially all adjustable benefits have been eliminated under the rehabilitation and ARM plans. The Trustees have reasonably and prudently determined that elimination of additional benefits would make it impossible to maintain sufficient employee participation to staff upcoming work, which otherwise would lead to a further decline in contribution hours, hastening the Plan's insolvency.

(3) Compensation levels of active participants relative to employees in the participants' industry generally.

See, **Exhibit 9**, *Brickmasons and Blockmason OES Data 2019.* The CBA rates applicable to the remaining active participants in the plan compare appropriately to national wage data.

(4) Competitive and other economic factors facing contributing employers.

See above, and See, **Exhibit 10**, Narrative Statement of Reasons Plan is in Critical and Declining Status).

How Plan factors were taken into account/other factors considered

- The impact of benefit and contribution levels on retaining active participants and bargaining groups under the plan.

With reference to the description above, the Trustees observe that current active participants are making significant wage package allocations to the Plan but are accruing future pension benefits at $30 per month per year of service. Any further increase in the contribution rate would likely result in employer withdrawals and a loss of bargaining unit members for whom Plan contributions will be required.

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

With reference to the description above, there is no intention to increase the required contribution rate in the foreseeable future, as such an action is reasonably anticipated to have a significant detrimental impact on the Plan's future funding.

SECTION 4. DEMONSTRATION THAT THE PLAN'S PROPOSED SUSPENSION SATISFIES THE STATUTORY REQUIREMENTS

4.01 Demonstration that limitations on individual suspensions are satisfied.

Exhibit 11 contains sample calculations that demonstrate how the proposed suspension satisfies the limitations described in Code §432(e)(9)(D)(i), (ii) and (iii). Section 4.01 of the Revenue Procedure requires information demonstrating that certain statutory limitations with respect to the proposed suspension are satisfied. The limitations set forth in Section 4.01 are satisfied based upon the following (summarized) individual demonstrations.

Guarantee-based Limitation

The proposed suspension does not reduce the benefit of any participant or beneficiary to an amount that is less than 110% of the PBGC guarantee.

If a participant's benefit has been split with an alternate payee under the terms of a qualified domestic relations order (QDRO), the determination of the guaranteed level for both parties is based on the terms of the QDRO. Generally, if the QDRO provides the alternate payee a shared interest with the participant, the participant's total benefit is used for purposes of determining the guaranteed amount for both parties. If the QDRO provides a separate interest for the alternate payee, the alternate payee's separate benefit level is used to determine the guaranteed amount.

Age-Based Limitation

The proposed suspension does not affect any participant or beneficiary who will be age 80 or older as of January 31, 2022 (the end of the month in which the January 1, 2022 effective date of the proposed suspension occurs). The proposed suspension only partially affects any participant or beneficiary who will be age 75-79 as of January 31, 2022 (with proportionally more of the current benefit being protected the closer the participant or beneficiary is to age 80).

In the event that the age-based limitation applies to a participant that has a QDRO, then the type of QDRO will determine whether the Pension Plan uses the participant's or alternate payee's age. If the QDRO provides the alternate payee a shared interest with the participant, then the participant's age is used for purposes of applying the age-based limitation as of the proposed suspension's effective date. Alternatively, if the QDRO provides a separate interest for the alternate payee, then the alternate payee's age is used to determine the application of the age-based limitation. If there are multiple QDROs with multiple alternate payees, the determination of whose age to use is determined separately for each applicable QDRO.

The application of the age-based limitation for a participant who elected a joint and survivor benefit is based on the age of the participant as of January 31, 2022, unless he or she is deceased, in which case the surviving spouse's age is used to determine the application of the age-based limitation.

Section 4.01(3) of revenue procedure 2017-43 requires submission of sample calculations for each group defined in Checklist Item #2 that includes an individual who is over age 75 (as of January 31, 2022).

Section 4.01(3)(c) of revenue procedure 2017-43 requests submission of sample calculations on individuals who are between age 75 and 79 but have not commenced benefits. However, all plan participants satisfying the preceding criteria are past their IRC section 401(a)(9) required beginning date and ARE treated as being in pay status retroactive to such date.

Disability-based Limitation

The proposed suspension does not affect any disability benefit that is in pay status as of January 1, 2022. Furthermore, if a disabled participant has converted to a retirement benefit on or prior to January 1, 2022, such participant's benefit will not be reduced below the amount of the disability benefit he or she was receiving immediately prior to conversion.

Sample Calculations

The sample calculations required by Section 4.01 of the Revenue Procedure are found at **Application Exhibit 11**. Note that:

- There are <u>no</u> ERISA 4022A(a) forfeitable benefits,
- There are <u>no</u> ERISA 4022A(b)(1)(A) benefit increases that have been in effect for less than 60 months,
- The limitations contained in ERISA 4022A(c)(2) <u>have</u> been reflected in the guarantee-based calculations,
- There have been <u>no</u> ERISA 4022A(d) benefit reductions made pursuant to Code section 411(a)(3)(E) (related to service with an employer rendered prior to such employer's obligation to contribute to the plan where such employer subsequently ceases to have an obligation to contribute), and
- The ERISA 4022A(e) exclusion does not apply as the Secretary of the Treasury has <u>not</u> determined that the plan fails to satisfy the requirements of Code sections 401(a) or 404(a)(2).

A list of the required exhibits appears below:

1. Individual currently receiving benefits below 110% PBGC Guarantee (including contingent beneficiary)
2. Individual currently receiving benefits reduced to 110% PBGC Guarantee (including contingent beneficiary)
3. Individual currently receiving benefits between age 75 and 80 (including contingent beneficiary)
4. Individual currently receiving benefits over age 80 (including contingent beneficiary)
5. Individual currently receiving benefits based on disability (including contingent beneficiary)
6. Future retiree reduced to 110% PBGC Guarantee
7. Future retiree between age 75 and 80
8. Future disabled retiree

4.02 <u>Demonstration that the proposed suspension is reasonably estimated to enable the plan to avoid insolvency</u>.

(1) <u>Deterministic Illustrations</u>

Exhibits 6 and 7 contain the *Plan Actuary's Certification that the Plan is Projected to Avoid Insolvency* under IRC §432(e)(9)(C)(i) as of the Proposed Benefit Suspension Effective Date of January 1, 2022. This certification includes a demonstration pursuant to Code §432(e)(9)(D)(iv) that the proposed suspension is reasonably estimated to enable the Plan to avoid insolvency.

The *Certification* contains a year-by-year projection demonstrating that the Plan is projected to avoid insolvency within the meaning of Code §418E for the extended period with the proposed suspensions going into effect on January 1, 2022. It also contains illustrations as to the

Plan's solvency ratio and available resources for each year of the extended period. The reports associated with the *Certification* provide supporting illustrations including a year-by-year solvency projection which demonstrates that, absent the partition and proposed benefit suspensions, the Plan will become insolvent in the plan year ending December 31, 2035. The supporting illustrations also demonstrate that the Plan will avoid insolvency with the partition and proposed benefit suspensions taking effect January 1, 2022. The illustrations separately identify the market value of assets, contributions, investment earnings, benefit payments and plan expenses. The Actuarial Certification and the supporting illustrations are based upon the actuary's interpretation of the requirements under Revenue Procedure 2017-43, Section 3.02.

(2) <u>Stochastic Illustrations</u>

The Plan is not required to appoint a retiree representative under § 432(e)(9)(B)(v)(I), and is therefore not required to provide a stochastic illustration that it will avoid insolvency.

Application Exhibit 6 describes the actuarial assumptions and methodology used in the reports filed with this application, as required under Revenue Procedure 2017-43, Section 4.02(3).

4.03 <u>Demonstration that the proposed suspension is reasonably estimated to not materially exceed the level necessary to avoid insolvency</u>

Pursuant to the Final Regulation, if the PBGC issues an order partitioning the Plan as requested, then the proposed suspension of benefits with respect to the Plan will be deemed to not materially exceed the level that is necessary to avoid insolvency.

4.04 <u>Demonstration that the proposed benefit suspension is distributed equitably</u>.

(1) <u>Effect of Proposed Suspension on the Plan in the Aggregate</u>

The proposed benefit suspension does specifically provide for different treatment of discrete groups of participants and beneficiaries because, in conjunction with the requested partition, the suspension reduces all participants' and beneficiaries' benefit to 110% of their PBGC guarantee amount. The reduction therefore is distributed in an equitable manner across the Plan's participant and beneficiary population as required pursuant to Code §432(e)(9)(D)(vi). The impact of the level cut are shown in **Exhibit 12**, *Equitable Distribution Analysis*.

(2) <u>Effect of Proposed Suspension on the Plan on a Group-by-Group Basis</u>

The Exhibit further shows the distribution of participants by benefit reduction percentage on an aggregate basis as required by sub-section 4.04(1)(b) of the Revenue Procedure.

(3) <u>Identification of Statutory Factors Taken into Account</u>

The nature of the suspension – an across the board reduction to 110% of each participant's PBGC guarantee amount – does not provide for different treatment for different participants and beneficiaries (other than as a result of application of MPRA's individual limitations), and so individual statutory factors that could justify such different treatment are not implicated.

4.05 Notice.

The Trustees have satisfied the notice requirements of Code §432(e)(9)(F) as follows:

(1) Notices.

Exhibits 13 and 14 to the Application are, respectively, the general and individual notices that will be provided to each participant and beneficiary under the Plan, as well as (with respect to the general notice only) to each employer that has an obligation to contribute to Plan and to each employee organization representing participants in the Plan.

(2) Efforts made to contact participants, beneficiaries and alternate payees.

The Board of Trustees has compiled complete and up-to-date records of the Plan's participants and beneficiaries. If an address is found to be invalid, it will be referred to the Plan's third-party administrator (Southwest Service Administrators, Inc. or "SSA") which would refer the it to the Berwyn Group, the entity used by SSA to monitor participant death records and locate missing participants. SSA also conducts searches using on-line search tools.

(3) Notices will not be delivered electronically.

(4) Lists of:

(a) Each employer that has an obligation to contribute to the Plan within the meaning of section 4212(a) of ERISA.

A list of the contributing employers that have an obligation to contribute to the Plan within the meaning of §4212(a) of ERISA is attached as **Exhibit 15**.

(b) Employee organization representing participants under the plan.

The employee organization representing participants under the Plan is the Bricklayers and Allied Craftworkers Union Local No. 3, Arizona, New Mexico and Texas.

SECTION 5. PLAN SPONSOR DETERMINATION RELATING TO REASONABLE MEASURES TAKEN TO AVOID INSOLVENCY

5.01 Measures taken to avoid insolvency.

See, discussion in Section 3.03 and 3.04, above, and the Narrative Statement **(Exhibit 10**).

5.02 Plan factors.

See, discussion in Section 3.03 and 3.04, above, and the Narrative Statement (**Exhibit 10)**.

5.03 How plan factors were taken into account.

See, discussion in Section 3.03 and 3.04, above, and the Narrative Statement (**Exhibit 10**).

5.04 Other factors considered.

See, discussion in Section 3.03 and 3.04, above, and the Narrative Statement (**Exhibit 10**).

SECTION 6. OTHER REQUIRED INFORMATION

6.01 Ballot.

See, **Exhibit 16** for a proposed ballot package intended to satisfy the requirements of Code §432(e)(9)(H)(iii). In keeping with the Revenue Procedure, the ballot package does not include the information described in Regulation §1.432(e)(9)-1(h)(3)(i)(E), (L) or (M) (the statement in opposition to the proposed benefit suspension, the individual estimate that will be provided as part of the notice, and the voting procedures, including the deadline for voting).

6.02 Partition.

The Plan is requesting approval for a partition from the PBGC and its application to the PBGC is being contemporaneously filed with this application. The effective date of the proposed partition is January 1, 2022. Attached to this application as **Exhibit 17** is the Plan's actuary's *Report of Required Actuarial Information* that has been filed with PBGC as part of the Plan's partition application. **Exhibit 18**, *Projection of Amount of Reduction in Benefit Payments Attributable to Partition* provides the required plan-year-by-plan-year projection of the amount of the reduction in benefit payments attributable to the partition.

6.03 Description of assumptions used in projections.

Application Exhibit 6 fulfills the requirements of Section 6.03 of the Revenue Procedure by describing the assumptions used by the Plan's actuary for performing projections required under sections 3.01, 3.02, 4.02(1), 4.02(2), and 4.03 of the Revenue Procedure. The certification of critical and declining status described in section 3.01 was prepared before submission of this *Application* and includes assumptions that differ from those used to prepare other projections contained herein. These differences are noted.

With regard to the contribution base units (CBU) assumption described in the exhibit the Plan consists of employers in the masonry industry, which industry has declined significantly in the Phoenix, Arizona area subsequent to the "great recession" and more recent economic disruptions. The recent impact of the COVID-19 pandemic is difficult to quantify, but the Trustees of the Plan, in evaluating industry activity assumptions for PPA purposes as well as longer term assumptions for purposes of submitting their contemporaneous application for permission to suspend benefits have made conservative but reasonable assumptions reflecting a leveling of contribution hours at 50,000 hours per year from 2023 through the extended period.

This determination was made by first reviewing the contribution assumption that was determined in March of 2020 for the 2020 PPA Certification:

Contribution Assumption used in PPA Actuarial Certification (March 2020)

Plan Year	Total Hours Worked Refractory Excluded	Total Hours Worked Refractory Only	Reciprocal Load on Contribution	Projected Contributions
2020	50,000	18,000	40%	$85,680
2021	50,000	12,000	40%	$78,120
2022	50,000	6,000	40%	$70,560
2023 and later	50,000	0	40%	$63,000
Avg. contribution rate	$0.90 per hour	$0.90 per hour	N/A	N/A

In their deliberations on the matter the Trustees observed that refractory hours have been declining and that it is their on-the-ground understanding of the masonry industry in the Phoenix area that refractory work for the remaining contributing employers, and for Union masonry employers in general, would be reduced to a minimal and sporadic level in the short term and remain so for the long term. This understanding is reflected in the refractory only hours column, above, and discussed in more detail, below.

In July 2020 (after having determined to delay filing this application and the application for a partition order past the second quarter of 2020 to permit the development of data relating to Covid-19) the Trustees reviewed a summary of actual contribution hours for the months January – May, 2020, which showed:

2020 Actual Hours						
	January	February	March	April	May	Total
Excl. Refractory	4,229	5,344	4,022	3,514	3,571	20,680
Refractory	277	146	1,596	619	80	2,718
Reciprocal	347	309	485	233	810	2,183

From the two months of “Covid-19 data” (April and May) the Trustees observed a substantial impact on both refractory and reciprocal hours, and a slightly less pronounced impact on non-refractory work. On the refractory side, the hours actually experienced when projected forward for the entire 2020 year would fall short of the 18,000 hours projected. It is also notable that the refractory hours reported here match the Trustees understanding and expectation that those hours are and will continue be sporadic, widely variable, and highly unpredictable. With these data in hand the Trustees determined to set the CBU assumption for PPA and partition/MPRA purposes as follows, subject to further data becoming available between the Trustees’ August board meeting and the filing of this application:

Adjusted Contribution Projection to be used for Partition and MPRA Applications				
Plan Year	Total Hours Worked Refractory Excluded	Total Hours Worked Refractory Only	Reciprocal Load on Contribution	Projected Contributions

2020	45,000	6,000	35%	$61,965
2021 and 2022	50,000	6,000	40%	$70,560
2023 and later	50,000	0	40%	$63,000
Avg. contribution rate	$0.90 per hour	$0.90 per hour	N/A	N/A

Hours data is now available for June and July, as follows:

Type	June	July	7-month Total
Non-Refractory	3,639	3,264	27,583
Refractory Only	988	386	4,092
Reciprocal	909	415	3,507
Total	5,535	4,065	35,181

These data are not "level" month-to-month, but certainly bear out the Trustees' assumptions about reduced refractory work in general and the short-term impact on all workhours due to Covid-19 and the related disruptions.

The Trustees view this information as providing an objective foundation for the assumption for refractory work at an average of 500 hours per month or, 6,000 per year through 2022. The refractory hour assumption of zero going forward is, again, a function of the Trustees' understanding of the continual decline of that work, as well as a reasonable actuarial assumption due to the essential unreliability/unpredictability of the work. In terms of the reasons for the reduction of refractory work the Trustees note that such work is accomplished using large, very hot, industrial furnace in which heavy and precious metals are heated. This process creates a significant environmental impact and the utilization of refractory work is therefore increasingly constrained by environmental regulation in turn driven by climate change political considerations. Accordingly, as a result of the uncertain nature of the refractory work and the resulting permanent decline of it, the Trustees, after consulting with the Plan's actuary, do not feel that it is prudent to rely on these continued hours in the solvency projections. To summarize, while *some* refractory workhours may continue to be seen past 2022, the anticipated level simply cannot be quantified with any reliability beyond observing that it has been and will continue to decline, and so the decision was made to treat post 2022 refractory hours as 0 for purposes of the assumptions for the application.

The cash flow from the projected level of contribution base units will not permit the Plan to avoid insolvency. Cash flow analysis is provided in the required actuarial information included with this application.

At the time the Plan first was certified to be in critical status and adopted a Rehabilitation Plan (2016) it was noted that in the period 2007 to 2015 the decline in the masonry industry caused a reduction in the number of employers participating in the Plan from 30 to 10. This drop included the withdrawal of two of the largest contributing employers which left the Plan in order to continue in operation as non-union companies. In the same period the number of active participants in the plan declined from 579 to 33. As reported in the Plan's most recent *Actuarial Valuation Report* (January 1, 2019, issued May 5, 2020), the current population of the Plan is 680 total participants (300 terminated vested, 217 retirees, 42 disabled participants, and 67 beneficiaries including 11 alternate payees) of which **only 54 are active**. This extreme imbalance between actives and nonactives, the massive reduction in contribution cash flows, the market forces that resulted in the significant asset losses in 2008 and the sporadic recovery thereafter, have left the Plan in critical and declining status and facing a first plan year of insolvency beginning January 1, 2035.

6.04 Ten-year experience for certain critical assumptions.

Application Exhibit 6 provides the Plan's experience for certain critical assumptions including a disclosure for each of the 10 plan years immediately preceding the submission of this *Application* separately identifying, in accordance with Section 6.04 of the Revenue Procedure:

- Total contributions;
- Total contribution base units;
- Average contribution rates;
- Withdrawal liability payments; and
- Rate of return on plan assets.

6.05 Demonstration of sensitivity projections.

Application Exhibit 19 contains the Plan actuary’s *Demonstration of Sensitivity of Projections* as required under Section 6.05 of the Revenue Procedure, which requires inclusion of deterministic projections of the sensitivity of the Plan’s solvency ratio throughout the extended period by taking into account alternate assumptions of investment experience and future contribution base units than assumed in other parts of this *Application*.

These demonstrations satisfy Section 6.05 of the Revenue Procedure.

6.06 Projection of funded percentage.

Application Exhibit 7 contains the *Deterministic Projection of Assets, Liabilities, and Funded Percentage* prepared by the Plan’s actuary and includes deterministic projections for each year in the extended period of the value of the Plan's assets, its accrued liability, and its funded percentage. The report projects the Plan's funded percentage using the value of Plan assets and accrued liabilities during the extended period of December 31, 2019 through December 31, 2052. The projections included are without and with the impact of benefit suspensions.

This exhibit satisfies the requirements of Section 6.06 of the Revenue Procedure.

6.07 Plan sponsor certifications relating to Plan amendments.

See, **Exhibit 20** for the Trustees’ certification that if they receive final authorization to implement the suspension of benefits as described in Code §432(e)(9)(H)(vi), and choose to implement the authorized suspensions they will adopt, in a timely manner, the following Plan amendments which shall not be modified at any time thereafter before the suspension of benefits expires:

(1) in accordance with Code §432(e)(9)(C)(ii) a Plan amendment providing that the benefit suspension will cease as of the first day of the first plan year following the plan year in which the Trustees fail to determine that both: (a) all reasonable measures to avoid insolvency

continue to be taken during the period of benefit suspension; and (b) the Plan is projected to become insolvent unless benefits continue to be suspended; and

(2) a Plan amendment providing that any future benefit improvements must satisfy the requirements of Code §432(e)(9)(E).

6.08 Whether the Plan is a plan described in §432(e)(9)(D)(vii).

The Plan is not a plan described in Code §432(e)(9)(D)(vii).

6.09 Narrative statement.

See, **Exhibit 10**.

SECTION 7. IDENTIFICATION AND BACKGROUND INFORMATION ON THE PLAN

7.01 Plan sponsor.

The Plan sponsor is the Board of Trustees of the Arizona Bricklayers' Pension Trust Fund. The address of the Board is P.O. Box 43170, Phoenix, AZ, 85080-3170. The Telephone number is (602) 324-0545. The Board does not have a separate Employer Identification Number (EIN).

7.02 Plan identification.

The name of the Plan is the Arizona Bricklayers' Pension Trust Fund. The Plan has been assigned Plan Number 001. Its Employer Identification Number (EIN) is 51-619487. The Plan is a multiemployer plan within the meaning of Code §414(f) and ERISA §3(37).

7.03 Retiree representative.

The Plan is not required to and has not appointed a retiree representative.

PBGC Participant and Plan Sponsor Advocate Contact Information
Constance Donovan, PBGC, 1200 K Street, NW, Washington, DC
20005-4026 Email: Advocate@pbgc.gov
Phone: (202) 229-4448

7.04 Plan's enrolled actuary.

The Plan's enrolled and certifying actuary for all actuarial calculations contained in this filing is

Name of Actuary:	Kevin M. Campe
Enrollment Number:	20-05356

Contact Information

Address:	Milliman, Inc. 71 South Wacker Drive, 31st Floor

	Chicago, Illinois 60606
Phone:	(312) 726-0677
Mobile:	(847) 912-0837
Email:	kevin.campe@milliman.com

7.05 Power of attorney.

See, **Exhibit 21**. The Plan's representatives as attorney-in-fact are Paul O. Catenacci and Paul M. Newcomer of Novara, Tesija & Catenacci, PLLC.

7.06 Plan documents.

See, **Exhibit 22** for the Plan's most recently restated plan document; **Exhibit 23** for Plan amendment 1; **Exhibit 24** for plan amendment 2; **Exhibit 25** for the Plan's current summary plan description; and **Exhibit 26** for the most recent determination letter issued to the Plan by the IRS.

7.07 Collective bargaining and side agreements.

See, **Exhibit 27**, for excerpts from the collective bargaining agreements and side agreements pursuant to which the Plan is maintained, including language from any portions of a collective bargaining agreement or side agreement that are relevant to the Plan or proposed suspension.

7.08 Annual return.

See, **Exhibit 28** for the following sections of the Plan's most recently filed form 5500: (1) pages 1 and 2 of Form 5500, (2) Schedule MB, including attachments, (3) Schedule R, with attachments, and (4) accountant's report under section 103(a)(3) of ERISA.

7.09 Rehabilitation plan.

See, **Exhibit 8** for a copy of the Plan's most recently updated rehabilitation plan.

7.10 Valuation reports.

See, **Exhibits 29 and 30** for the January 1, 2018, and January 1, 2019 *Actuarial Valuation Reports* for the Plan, respectively.

7.11 Completed checklist.

See, **Exhibit 1** for the completed checklist of information required to be included in the Plan's Application.

The Trustees appreciate Treasury's review of this important matter for the Plan. Should you have any questions or require any additional information please contact Paul O. Catenacci or Paul M. Newcomer at T: (248) 354-0380.

ARIZONA BRICKLAYERS' PENSION TRUST FUND
See **Exhibit 2** Cover Letter and signatures of Plan Sponsor

ARIZONA BRICKLAYERS' PENSION TRUST FUND
APPLICATION FOR APPROVAL OF SUSPENSION OF BENEFITS UNDER THE MULTIEMPLOYER PENSION REFORM ACT OF 2014

CHECKLIST

Response	Item number	Description of item	Page number in application
Yes	1.	Does the application include an original signature of the plan sponsor or an authorized representative of the plan sponsor? See section 2.01 of this revenue procedure.	000019
Yes	2.	Does the application include a description of the proposed benefit suspension – calculated as if no other limitations apply – that includes: • the suspension's effective date (and its expiration date, if applicable), • whether the suspension provides for different treatment of participants and beneficiaries, • a description of the different categories or groups of individuals affected, and • how the suspension affects these individuals differently? See section 2.02 of this revenue procedure.	000002
Yes	3.	Does the application include a penalties-of-perjury statement signed by an authorized trustee on behalf of the board of trustees? See Section 2.03 of this revenue procedure.	000020
Yes	4.	Does the application include a statement, signed by an authorized trustee on behalf of the board of trustees, acknowledging that the application and the application's supporting material will be publicly disclosed on the Treasury Department's website? See section 2.04 of this revenue procedure.	000020
Yes	5.	Does the application include the plan actuary's certification of critical and declining status and the supporting illustrations, including: • the plan-year-by-plan-year projections demonstrating projected insolvency during the relevant period, and • separately identifying the available resources (and the market value of assets and changes in cash flow) during each of those years? See section 3.01 of this revenue procedure.	000021
Yes	6.	Does the application include the plan actuary's certification that, taking into account the proposed suspension and, if applicable, a proposed partition, the plan is projected to avoid insolvency if the suspension takes effect, and the supporting illustrations, including: • the plan-year-by-plan-year projections demonstrating projected solvency during the relevant period, • separately identifying the available resources (and the market value of assets and changes in cash flow) during each of those years? See section 3.02 of this revenue procedure.	000027
Yes	7.	Does the application include the plan sponsor's determination of projected insolvency that includes the documentation set forth in section 5 of the revenue procedure? See section 3.03 of this revenue procedure.	000003

Yes	8	Does the application include a demonstration that the limitations on individual suspensions are satisfied, including a description of each benefit based on disability, as defined under the plan, that is paid to an individual under the plan (without regard to whether the disability benefits are available to newly disabled participants) and calculations regarding: • the guarantee-based limitation, • the disability-based limitation, • the age-based limitation, taking into account the guarantee-based limitation, and • if applicable, the age-based limitation taking into account both the guarantee-based limitation and the disability-based limitation? See section 4.01 of this revenue procedure.	000095
Yes	9.	Does the application include a demonstration that the proposed suspension is reasonably estimated to achieve the level necessary to avoid insolvency for the extended period, including illustrations regarding the plan's solvency ratio and available resources? See section 4.02(1) of this revenue procedure.	000021
Yes	10.	Does the application include an illustration that the proposed suspension is reasonably estimated to achieve the level necessary to avoid insolvency for the extended period utilizing stochastic projections? (This illustration is optional if the plan is not required to appoint a retiree representative under § 432I(9)(B)(v)(I).) See section 4.02(2) of this revenue procedure.	N/A
Yes	11.	Does the application include a demonstration that the proposed suspension is not projected to materially exceed the level necessary to avoid insolvency, including: • the plan-year-by-plan-year projections demonstrating projected insolvency during the relevant period, and • a separate identification of the available resources (and the market value of assets and changes in cash flow) during each of those years? See section 4.03 of this revenue procedure.	000010

Yes	12.	Does the application include a demonstration that the proposed suspension is equitably distributed, including: • information on the effect of the suspension on the plan in the aggregate, • information on the effect of the suspension for different categories or groups, • a list of the factors taken into account, • an explanation of why none of the factors listed in § 432€(9)(D)(vi) were taken into account (if applicable), • for each factor taken into account that is not one of the factors listed in § 432€(9)(D)(vi), an explanation why the factor is relevant, and • an explanation of how any difference in treatment among categories or groups of individuals results from a reasonable application of the relevant factors? See section 4.04 of this revenue procedure.	000103
Yes	13.	Does the application include a copy of the notices (excluding personally identifiable information) that meet the requirements under § 432€(9)(F)? See section 4.05(1) of this revenue procedure.	000104
Yes	14.	Does the application include a description of the efforts that are being taken to contact participants, beneficiaries in pay status, and alternate payees? See section 4.05(2) of this revenue procedure.	000011

Yes	15.	Does the application describe the steps the plan sponsor has taken to ensure that notices delivered electronically are reasonably accessible to the recipients? See section 4.05(3) of this revenue procedure.	000011
Yes	16.	Does the application include a list of each employer who has an obligation to contribute under the plan and each employee organization representing participants under the plan? See section 4.05(4) of this revenue procedure.	000128
Yes	17.	Does the application include information on past and current measures taken to avoid insolvency? See section 5.01 of this revenue procedure.	000011 000092
Yes	18.	Does the application include information regarding the plan factors described in § 432©(9)©(ii), for the past 10 plan years immediately preceding the plan year in which the application is submitted? See section 5.02 of this revenue procedure.	000015, 000028
Yes	19.	Does the application describe how the plan sponsor took into account – or did not take into account – the factors listed in section 5.02 of this revenue procedure in the determination that all reasonable measures were taken to avoid insolvency? See section 5.03 of this revenue procedure.	000011, 111192
Yes	20.	Does the application describe how the plan sponsor took into account – or did not take into account – in the determination that all reasonable measures have been taken to avoid insolvency, the impact of: • benefit and contribution levels on retaining active participants and bargaining groups under the plan, and • past and anticipated contribution increases under the plan on employer attrition and retention levels? See section 5.03 of this revenue procedure.	000011, 000092
Yes	21.	Does the application include a discussion of any other factors the plan sponsor took into account including how and why those factors were taken into account? See section 5.04 of this revenue procedure.	000011, 000092
Yes	22.	Does the application include a copy of the proposed ballot, excluding the information regarding the statement in opposition, the individualized estimate, and the voting procedures? See section 6.01 of this revenue procedure.	000130
N/A	23.	Does the application indicate whether the plan sponsor is requesting approval from PBGC of a proposed partition under section 4233 of ERISA? See section 6.02 of this revenue procedure.	000012
N/A	24.	If the answer to item 23 is yes, does the application specify the effective date of the proposed partition and include a plan-year-by-plan-year projection of the amount of the reduction in benefit payments attributable to the partition? See section 6.02 of this revenue procedure.	000012, 000167
Yes	25.	Does the application include: • a description of each of the assumptions used in the projections required under sections 3.01, 3.02, 4.02(1), 4.02(2), and 4.03 of this revenue procedure, • supporting evidence for the selection of those assumptions, and • an explanation of any differences among the assumptions used for various purposes? See section 6.03 and Appendix B of this revenue procedure.	000028

Yes	26.	Does the application describe the plan's experience with certain critical assumptions, including a disclosure for each of the 10 plan years immediately preceding the application that separately identifies: • the total contributions, • the total contribution base units, • the average contribution rates, • the withdrawal liability payments, and • the rate of return on plan assets? See section 6.04 of this revenue procedure.	000028
Yes	27.	Does the application include deterministic projections of the sensitivity of the plan's solvency ratio throughout the extended period by taking into account the more conservative assumptions of investment experience and future contribution base units than assumed elsewhere in the application? See section 6.05 of this revenue procedure.	000168
Yes	28.	Does the plan include deterministic projections for each year in the extended period of: • the value of plan assets, • the plan's accrued liability, and • the plan's funded percentage? See section 6.06 of this revenue procedure.	000052
Yes	29.	Does the application include the plan sponsor's representation that, if it receives the Treasury Department's final authorization to suspend and then chooses to implement the suspension, it will also amend the plan: • to provide that the suspension will cease upon the plan sponsor's failure to maintain a written record of its annual determination that (i) all reasonable measures continue to be taken to avoid insolvency and (ii) the plan would not be projected to avoid insolvency without a suspension, • to require that any future benefit improvements must satisfy § 432€(9)€, and • to specify that the plan sponsor will not modify these amendments, notwithstanding any other provision of the plan document? See section 6.07 of this revenue procedure.	000172
N/A	30.	Does the application indicate whether the plan is a plan described in § 432€(9)(D)(vii) and, if it is, how that is reflected in the proposed benefit suspension? See section 6.08.	000016
Yes	31	Does the application include a narrative statement of the reasons the plan is in critical and declining status? See section 6.09.	000092
Yes	32.	Does the application include the required plan sponsor identification and contact information? See section 7.01 of this revenue procedure.	000016
Yes	33.	Does the application include the required plan identification information? See section 7.02 of this revenue procedure.	000016
Yes	34.	Does the application include the required retiree representative information (if applicable)? See section 7.03 of this revenue procedure.	N/A
Yes	35.	Does the application include the required enrolled actuary information? See section 7.04 of this revenue procedure.	000016

Yes	36.	Does the application include a designation of power of attorney for each authorized representative who will represent the plan sponsor in connection with the application? See section 7.05 and Appendix C of this revenue procedure.	000173
Yes	37.	Does the application include: • the required plan documents • any recent amendments • the summary plan description (SPD) • any summary of material modifications, and • the most recent determination letter? See section 7.06 of this revenue procedure.	000174
Yes	38.	Does the application include the required excerpts from the relevant collective bargaining agreements and side agreements? See section 7.07 of this revenue procedure.	000337
Yes	39.	Does the application include the required excerpts from the most recently filed Form 5500? See section 7.08 of this revenue procedure.	000394
Yes	40.	Does the application include the most recently updated rehabilitation plan? See section 7.09 of this revenue procedure.	000060
Yes	41	Does the application include the two most recent actuarial valuation reports? See section 7.10 of this revenue procedure.	000461
Yes	42.	Does the application include this checklist, completed and placed on top of the application? See section 7.11 of this revenue procedure and this Appendix D.	0
N/A	43.	If the application is being submitted for resubmission review, does the application include: • cross-references to information in the prior application with respect to information that has not changed from the prior application, • a statement that the application is being submitted for resubmission review, and • the date on which the Treasury Department indicated that the application is a candidate for resubmission review? See section 8 of this revenue procedure.	N/A

Arizona Bricklayers • Ceramic Tilelayers Pension Trust Fund

ADMINISTRATIVE OFFICE

ADMINISTRATOR: Southwest Service Administrators, Inc.
www.ssatpa.com

Claims, Eligibility & Pension:
602-249-3582 / 800-474-3485
Fax: 602-249-3795

Corporate Administration:
602-324-0545
Fax: 602-336-0895

To be submitted by: September 30, 2020

Electronic Submission to: www.treasury.gov/mpra
The Hon. Steven T. Mnuchin
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Re: Arizona Bricklayer' Pension Trust Fund
Application for Suspension of Benefits Under the Multiemployer Pension Reform Act of 2014

Dear Secretary Mnuchin:

The Board of Trustees of the Arizona Bricklayers' Pension Trust Fund as the Plan Sponsor respectfully submits this application for approval of a proposed suspension of benefits pursuant to Internal Revenue Code Section 432(e)(9) and Section 305(e)(9) of the Employee Retirement Income Security Act of 1974. The Board hereby confirms that it has designated its Chairman, Mr. Steve Mayher and its Co-Chairman, Mr. Richard Crawford, as its Authorized Representative Trustees for the purpose of executing all documents necessary for the application.

Respectfully submitted by:

[redacted]

Signed: September 30 , 2020

P.O. Box 43170, Phoenix, AZ 85080-3170

Claims, Eligibility & Pension:
602-249-3582 / 800-474-3485
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Fax: 602-336-0895

SEPTEMBER 30, 2020

ARIZONA BRICKLAYERS' PENSION TRUST FUND

PENALTY OF PERJURY STATEMENT/PUBLIC DISCLOSURE STATEMENT

Pursuant to Sections 2.03 and 2.04 of IRS Revenue Procedure 2017-43, each of the undersigned authorized Trustees makes the following two statements:

Under penalties of perjury I declare that I have examined this application, including the accompanying documents, and, to the best of my knowledge and belief, the application contains all of the relevant facts relating to this request, and such facts are true, correct and complete.

I acknowledge that, pursuant to Section 432(e)(9)(G)(ii) of the Internal Revenue Code, the application for approval of the proposed suspension of benefits, and the application's supporting material, will be publicly disclosed through publication to the Treasury Department's website.

[redacted]

Signed: September 25, 2020