

**Bricklayers & Allied Craftsmen Local No. 7 Pension Plan  
Checklist Item #02**

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.

Document 2.1 provides a description of the proposed benefit suspension under the Pension Plan.

Document 2.2 refers to other checklists in this application that illustrate the various categories of participants and beneficiaries affected by the proposed benefit suspension.

## 2.02 Terms of Proposed Benefit Suspension

### Document 2.1

#### Description of the Proposed Benefit Suspension

The Board of Trustees of the Pension Plan proposed the following reduction of benefits, which will become effective on May 1, 2017, will remain in effect indefinitely, and will not expire by its own terms.

In deciding whether the proposed reduction would be distributed fairly under the Pension Plan, the Board of Trustees took into account the following five (5) factors:

- The amount of benefits;
- The type of benefit: survivor, normal retirement, or early retirement;
- The history of benefit increases and reductions for participants and beneficiaries;
- Any discrepancies between active and retiree benefits; and
- The extent to which active participants are reasonably likely to withdraw support for the Pension Plan, accelerating employer withdrawals from the Pension Plan, and increasing the risk of additional benefit reductions for participants in and out of pay status.

While the Board of Trustees considered all of the above factors, the design chosen does not have any explicit differences between different groups. The type of benefit, including early retirement and optional forms of benefit, is reflected by preserving current adjustments for those factors. The design chosen based on all contributions was selected to reverse some of the effects of differing plan formulas in the past. Without these reductions, the Pension Plan is projected to become insolvent by the 2024-2025 plan year.

Generally, the amount of a participant's suspension of benefits is based on the following factors. First, a participant's or beneficiary's monthly benefit may not be reduced below 110% of the PBGC's guaranteed level. Second, no reduction can apply to benefits based on disability under the terms of the Pension Plan. Third, an individual's age affects the amount of the reduction that may apply to the monthly benefit. For instance, no reduction applies to the benefits of an individual who has reached age 80 or older as of the end of the month of the benefit reduction's effective date. For an individual who is between ages 75 and 80 as of the end of the month of the effective date of the reduction, the maximum amount of the reduction that can apply to his or her benefit is reduced. The closer the individual is to age 80 as of that date, the smaller the reduction to the individual's benefit can be. If the age-based limits on the amount of a reduction apply to a participant, then the same limits will continue to apply for any beneficiary of the participant after the participant's death, regardless of the beneficiary's age. These guarantee-based, disability-based, and age-based limitations are discussed in more detail in Checklist Item #9.

Based on the limitations mentioned above, the benefits of four (4) groups of participants and beneficiaries will **not** be cut or changed under the proposal:

1. Participants, retirees and beneficiaries who are age 80 or older at the time the cuts are made (only partial cuts would be made for participants between ages 75 and 80).
2. Participants who are receiving disability benefits under the terms of the Pension Plan at their initial retirements.
3. Participants whose benefits are already less than 110% of the PBGC-guaranteed benefit level at the time the cuts are made.
4. Participants whose benefits are less than the proposal's targeted amount (i.e., less than 1.3% of total contributions made on each participant's behalf).

In the first group, 77 retirees and beneficiaries will be age 80 or older by the end of May 2017, if they are still alive (i.e., the end of the month of the benefit reduction's effective date, which is expected to be May 1, 2017). Benefit levels for those age 80 or older vary widely, ranging from under \$50 per month to a few recipients receiving over \$3,000 per month. The average benefit level for the first group is about \$750 per month.

In the second group, 2 participants are receiving disability benefits under the terms of the Pension Plan at their initial retirements, and are not already over age 80.

The third protected group is comprised of any member whose benefit is already less than 110% of the PBGC-guaranteed benefit level. This group includes those members whose benefits are less than \$17 per month for each year of service. There are approximately 68 members in that group, based on benefits accrued through April 30, 2016.

The fourth group includes members whose benefit levels are less than the targeted amount of 1.3% of their employers' total contributions. This is generally a benefit level of less than about \$39 per year of service, and the limit primarily impacts members who have worked under the plan provisions in effect since 2006. There are 82 participants in this group, based on benefits accrued through April 30, 2016.

Given that there are four member groups whose benefits will not be reduced or changed under this proposal, there must be significant cuts in the groups of remaining participants and beneficiaries to avoid insolvency. Generally, the target amount of the benefit cut for each participant will be 1.3% of all credited and non-credited contributions made on his or her behalf, depending on if his or her current vested benefit is less than or greater than 110% of the PBGC-guaranteed level, and whether that amount is less than or greater than the targeted amount of 1.3% of all contributions. See Checklist Item #13 for additional discussion and statistics on how members will be affected.

The Pension Plan's proposed benefit suspension reduces all affected participants and beneficiaries to 1.3% of the total contributions made on their behalf. The proposed benefit suspension will treat all participants and beneficiaries under the Pension Plan, whether currently in pay status or not in pay status, equally. The suspension also will take into account the limitations on benefit suspensions under the 26 U.S.C. § 432(e)(9)(D)(i), (ii), and (iii). The proposed suspension will not treat categories or groups of participants and beneficiaries under the Pension Plan differently from one another.

The following examples illustrate the proposed calculations.

**Example 1:** Active member A has worked under the plan for 5 years. During that time, his employers have contributed about \$40,000 to the Plan on his behalf. Some of his contributions were not “credited” for benefits, since only the first \$2 per hour earned a credit. He has only earned a benefit of \$170 per month payable at normal retirement age, which is about \$34 for each year of service. Meanwhile, 110% of his PBGC-guaranteed benefit level would be about \$155 per month ( $\$31 \times 5$  years of service). In this example, the plan could cut member A’s benefit down to the 110% of the PBGC-guaranteed level (\$155/month), but the Board of Trustees chose not to do that out of a sense of fairness and equity. But member A’s benefit will not change even though his benefit is less than the targeted amount of 1.3% of total contributions ( $.013 \times \$40,000 = \$520/\text{month}$ ). The following equations explain this example:

- Targeted amount:  $1.3\% \times \$40,000 = \$520/\text{month}$
- Member A’s current benefit: \$170/month
- 110% of PBGC-guaranteed benefit level:  $\$31 \times 5$  years of service = \$155/month

Here, member A’s benefit will not change from its current level of \$170/month for each year of service, even though it is less than the targeted amount under the proposal (\$520/month for each year of service), and even though it is more than 110% of the PBGC-guaranteed amount (\$155/month for each year of service).

**Example 2:** Member B retired in 2008 at age 60. He had worked 16 years and contributions of about \$30,000 were made on his behalf. He had earned a benefit of about \$1,050, payable at normal retirement age. His early retirement benefit was about \$950. By the time the suspension takes effect on May 1, 2017, he will have already received over \$100,000 in retirement benefits. His target benefit would only be about \$360 (1.3% of \$30,000 times the early retirement adjustment of 92%); 110% of his PBGC minimum is about \$625. So, under the suspension design, his benefit will be reduced from \$950 to \$625 (110% of his PBGC minimum), a reduction of about 35%.

**Example 3:** Member C retired in 2008 at age 55. He had worked 30 years and contributions of about \$130,000 were made on his behalf. He had earned a benefit of almost \$4,600, payable at normal retirement age. His early retirement benefit was about \$3,300. By the time the suspension takes effect on May 1, 2017, he will have already received over \$350,000 in retirement benefits. His target benefit is about \$1,200 (1.3% of \$130,000 times the early retirement adjustment of 72%). This is approximately the same as his 110% of PBGC minimum benefit of about \$1,200. Under the suspension design, his benefit will be reduced from \$3,300 to \$1,200, a reduction of about 64%.

**Example 4:** Active member D has worked under the plan for over 20 years and contributions of about \$110,000 were made on his behalf. He has earned a benefit of about \$2,400 payable at normal retirement age. His target benefit is about \$1,450 per month

payable at normal retirement age (1.3% of \$110,000). His 110% of PBGC minimum benefit is about \$800. Under the proposed suspension design, his benefit (payable at normal retirement age) will be reduced from \$2,400 to \$1,450, a reduction of about 39%.

Here are several hypothetical scenarios based on the current estimates:

**Retiree: 63 years old**

Years of Service	29
Current Benefit	\$1,574
PBGC	\$1,037
Rescue Plan	\$1,140

**Widow: 71 years old**

Years of Service	27
Current Benefit	\$854
PBGC	\$715
Rescue Plan	\$787

**Inactive: 59 years old**

Years of Service	6
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Current Benefit	\$288
PBGC	\$215
Rescue Plan	\$236

**Active A: 51 years old**

Years of Service	11
Current Benefit	\$526
PBGC	\$393
Rescue Plan	\$526
+11 Years	\$800

**Active B: 32 years old**

Years of Service	7
Current Benefit	\$142
PBGC	\$126
Rescue Plan	\$142

+11 Years	\$800
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The dollar amount of each proposed cut would depend in part on the total amount of contributions made on the recipient’s behalf and the various contribution rates used to calculate the employer’s contribution amount. For instance, at one point, the contribution rate was 4% of gross wages, while at another point it was 3.1% of gross wages. Needless the say, the total amount of contributions would be greater at 4% of gross wages than it would be if the contribution rate were 3.1% of gross wages (all other things being equal). However, under the proposed benefit suspension, the same 1.3% of total contributions made on behalf of each participant or beneficiary would be used to calculate his or her adjusted benefit. For more information about the various categories of contribution rates, see Checklist Item #13.

The following chart shows the size of the proposed benefit cuts and the percentages of members **in pay status** whose benefits would be impacted if the proposal were adopted:

<b>Size of Benefit Cuts</b>	<b>Count</b>	<b>Percentage of Recipients Affected</b>
None	94	42.7%
0.001% to 10%	35	15.9%
10.001% to 20%	10	4.5%
20.001% to 30%	15	6.8%
30.001% to 40%	11	5.0%
40.001% to 50%	18	8.2%
50.001% to 60%	21	9.5%
60.001% to 70%	16	7.3%
70.001% to 100%	0	0.0%

The following chart shows the size of the proposed benefit cuts and the percentages of members **not in pay status** whose benefits would be impacted if the proposal were adopted (47 non-participants were excluded from these calculations):

<b>Size of Benefit Cuts</b>	<b>Count</b>	<b>Percentage of Recipients Affected</b>
None	133	46.8%
0.001% to 10%	8	2.8%
10.001% to 20%	10	3.5%
20.001% to 30%	19	6.7%
30.001% to 40%	15	5.3%
40.001% to 50%	22	7.7%
50.001% to 60%	22	7.7%
60.001% to 70%	55	19.4%
70.001% to 100%	0	0.0%

## **Document 2.2**

### **Categories and Examples of Participants Affected by the Proposed Benefit Suspension**

Checklist Item #13 provides additional information on how the proposed suspension impacts participants who earned benefits under different plan formulas. Checklist Item #9 provides additional illustrations of both the proposed suspension and the individual limits.