

**Bricklayers & Allied Craftsmen Local No. 7 Pension Plan
Checklist Item #13**

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(e)(9)(D)(vi) was taken into account (if applicable);
- for each factor taken into account that is not one of the factors listed in § 432(e)(9)(D)(vi), and explanation why the factor is relevant; and
- how any difference in treatment among categories or groups of individuals results from a reasonable application of the relevant factors?

See section 4.04.

Documents 13.1 and 13.2 present the Pension Plan's demonstration, in consultation with its actuary, that the proposed suspension is equitably distributed.

4.04 Demonstration that the Proposed Benefit Suspension Is Distributed Equitably

Document 13.1

The Pension Plan's Demonstration of Equitable Distribution

The proposed benefit suspension is distributed equitably across the participant and beneficiary population. The terms of the proposed suspension do not explicitly apply differently to any groups. However, the Pension Plan's accrual rate formula has changed multiple times, leading to different impacts of the proposed suspension depending on the periods during which members worked.

A summary of the changes in the accrual rate follows:

- Participants with service prior to February 1, 1968: a benefit of \$1 per year of past service.
- Participants who retired prior to May 1, 1996: a future service benefit of less than 3.3% of contributions that varied based on when they last worked.
- Participants who retired after May 1, 1996: a minimum of 3.3% of contributions even if they last worked prior to that date.
- The accrual rate was increased to a maximum level of 4.1% effective May 1, 1999.
- For the two plan years beginning May 1, 2003 and May 1, 2004, the accrual rate was 3.0% of contributions.
- Beginning May 1, 2005, the accrual rate was 1% of contributions with some contributions becoming non-credited effective May 1, 2006.
- On May 1, 2016, the benefit accrual rate was changed to 0.3% for the first \$6.66 in contributions and 1.0% of contribution in excess of \$6.66.

In support of this determination are attached the following summaries of benefits:

- Exhibit 13.1: Distribution of benefit suspensions in 10% increments for all participants.
- Exhibit 13.2: Distribution of benefit suspensions by category under regulations.
- Exhibit 13.3: Distribution of benefit suspensions by alternate categories.
- Exhibits 13.4 and 13.5: Distributions of benefit suspensions for in pay status and not in pay status in 10% increments.

Exhibits 13.1 and 13.2 contain the demonstrations required by Revenue Procedure 2016-27, section 4.04(1).

For the demonstrations requested by Revenue Procedure 2016-27, section 4.04(2)(A), the Board of Trustees, in consultation with the Pension Plan's actuary, relied on regulations at 26 C.F.R. § 1.432(e)(9)-1(d)(6)(iv) and (v) to guide in its selection of the relevant groups. In particular, Examples 2 and 7 of the regulations discuss situations in which the plan's formula changed over time, yet the Examples seem to reach different conclusions. Based on the Board of Trustees' best interpretation of the most relevant factors, and in consultation with the Pension Plan's actuary, the Pension Plan has shown results for the following categories:

- Retiree before May 1, 1996, formula less than 3.3%
- Retiree, all years at 3.3% formula
- Retiree, all years at 4.1% formula
- Retiree, with multiple rates
- Retiree, all years at 3.85% formula
- Retiree, all years at 4.05% formula
- Active, all years at 1%
- Active, with multiple rates
- Inactive, all years at 1%
- Inactive, all years at 3.3%
- Inactive, all years at 4.1%
- Inactive, with multiple rates

The Board of Trustees did not further divide these groups for the following reasons:

- There was limited data about service earned before 1968 and most participants from that era are age 80 or older and, thus, not subject to the proposed suspension.
- All but three (3) participants and beneficiaries who retired prior to May 1, 1996, are now age 80 or older. Any additional subgroups would provide limited useful information.

As discussed elsewhere in this proposal and after careful consideration of the various factors, the Board of Trustees decided that the most important of the statutory factors as listed in § 432(e)(9)(D)(vi) are the following:

- The amount of benefits.
- The history of benefit increases and reductions.
- The differences between active and retiree benefits.

- The extent to which active participants were reasonably likely to withdraw support of the Pension Plan.

Exhibit 13.3 demonstrates which groups of participants have suspensions larger than the 110% of PBGC minimum. Although defined by a single alternate formula, in practice the alternate formula helps two (2) groups of participants. In response to recent decreases in benefits and the need to maintain active support, the 1.3% accrual rate formula prevents any cut for seventy-three (73) active members and inactive members not yet in pay status. These participants worked only or mostly under the 1% accrual rate formula. They are shown as Combined Group 1 at the end of the Exhibit 13.3. Without the alternate formula, this group would have been reduced on average about 25% under the 110% PBGC guarantee limit.

The 1.3% alternate accrual rate formula also helps lessen the reduction for an additional 143 participants with benefits farthest away for the PBGC guarantee. These three groups were combined into an additional bold summary row at the end of Exhibit 13.3 (Combined Group 2). On average, this group is proposed to be reduced from approximately \$1,688 to \$836 (or a 50.5% reduction). If they were reduced to 110% of the PBGC guarantee, the average benefit would be approximately \$541 (or a 68% reduction). Thus, the proposed reduction design is related to the amount of benefit.

The following factors explain why additional adjustments were not made for other factors listed in § 432(e)(9)(D)(vi):

- Age and life expectancy of the participant or beneficiary: The Board of Trustees determined that the statutory requirements for members age 75 or older adequately accounted for this factor.
- Length of time that benefits have been in pay status: The Board of Trustees did not think application of this factor would be well understood or lead to better perceived equity by the members.
- The type of benefit (e.g., survivor benefit, normal retirement benefit, early retirement benefit, etc.): The 1.3% alternative formula preserves existing adjustments for early retirement and the form of benefit. Additional recognition of these factors was not deemed advisable.
- The extent to which a participant is receiving a subsidized benefit: For participants who attained age 55 after May 1, 2009, the Pension Plan no longer provides any meaningful subsidy. Prior to that date, the subsidy was somewhat modest (a 28% reduction at age 55 compared to the current 49% reduction). The Board of Trustees did not think application of this factor would be well understood or lead to better perceived equity by the members.
- The extent to which a participant or beneficiary has received post-retirement benefit increases: The last such increase was granted in 1999. The number of participants under age 80 who benefited from such an increase is so small that any change would not produce meaningful savings for the Pension Plan.

- The number of years to retirement for active employees: The Board of Trustees did not think application of this factor would be well understood or lead to better perceived equity by the members.
- The extent to which a participant's or beneficiary's benefit was attributable to service with an employer that has failed to pay its full withdrawal liability assessment: There have been no withdrawal liability assessments, so this factor was not applicable.

Document 13.2

Exhibits

Bricklayers & Allied Craftsmen Local No. 7 Pension Plan

Exhibit 13.1 – Distribution of Benefit Suspensions in 10% Increments for All Participants

Range		Count	Percentage Impacted
	0%	227	45.0%
0.001%	10%	43	8.5%
10.001%	20%	20	4.0%
20.001%	30%	34	6.7%
30.001%	40%	26	5.2%
40.001%	50%	40	7.9%
50.001%	60%	43	8.5%
60.001%	70%	71	14.1%
70.001%	80%	0	0.0%
80.001%	90%	0	0.0%
90.001%	100%	0	0.0%

Bricklayers & Allied Craftsmen Local No. 7 Pension Plan
Exhibit 13.2 – Distribution of Benefit Suspensions by Category under Regulations

Description	Count	Average Before Suspension	Average After Suspension	PV Reduction in Benefits
Retiree before 5/1/1996; formula less than 3.3%	63	576	575	4,525
Retiree all years at 3.3% formula	57	481	427	315,653
Retiree all years at 4.1% formula	21	1,725	1,371	696,075
Retiree multiple rates	70	1,911	970	7,220,741
Retiree all years at 3.85% formula	5	1,379	1,351	11,539
Retiree all years at 4.05% formula	4	1,287	1,163	44,094
Active all at 1%	54	68	68	0
Active multiple rates	56	1,643	1,160	1,612,702
Inactive all at 1%	54	36	36	0
Inactive all at 3.3%	20	373	231	249,983
Inactive all at 4.1%	5	897	287	196,521
Inactive multiple rates	95	1,189	502	3,098,645

Notes

Retirees include surviving spouses and alternate payees.

Present value as of 5/1/2015 using assumptions specified in Checklist #6.

Bricklayers & Allied Craftsmen Local No. 7 Pension Plan
Exhibit 13.3 – Distribution of Benefit Suspensions by Alternate Categories

Description	Count	Average Before Suspension	Average After Suspension	Average with 110% PBGC Only
Unreduced age or disability (in payment)	79	773	773	
Unreduced 110% PBGC (in payment)	16	97	97	
Partial age protection 110% PBGC greater than 1.3	35	1,218	980	
Partial age protection 110% PBGC less than 1.3	4	1,489	1,167	1,149
Under 75 reduced to 110% PBGC (in payment)	63	1,257	683	
Under 75 reduced to 1.3% contributions (in payment)	23	2,408	1,048	783
Active unreduced 110% PBGC	25	22	22	
Inactive unreduced 110% PBGC	35	19	19	
Active unreduced 1.3% contribution	47	325	325	240
Inactive unreduced 1.3% contribution	26	142	142	116
Inactive reduced 110% PBGC	31	531	278	
Active reduced 1.3% contribution	38	2,103	1,390	807
Inactive reduced 1.3% contribution	82	1,293	520	350
Combined Group 1: Unreduced	73	260	260	196
Combined Group 2: Reduced and 1.3% Proposed Formula Controls	143	1,688	836	541

Bricklayers & Allied Craftsmen Local No. 7 Pension Plan
Exhibit 13.4 – Distributions of Benefit Suspensions by Category and 10% Increments, in Pay Status

Retiree Before 5/1/1996; Formula Less than 3.3%

Range	Count	Percentage Impacted
0.001%	60	95.2%
10.001%	3	4.8%
20.001%	0	0.0%
30.001%	0	0.0%
40.001%	0	0.0%
50.001%	0	0.0%
60.001%	0	0.0%
70.001%	0	0.0%
80.001%	0	0.0%
90.001%	0	0.0%

Retiree All Years at 3.3% Formula

Range	Count	Percentage Impacted
0.001%	21	28.0%
10.001%	20	26.7%
20.001%	5	6.7%
30.001%	4	5.3%
40.001%	3	4.0%
50.001%	4	5.3%
60.001%	0	0.0%
70.001%	0	0.0%
80.001%	0	0.0%
90.001%	0	0.0%

Retiree All Years at 3.85% Formula

Range	Count	Percentage Impacted
0.001%	4	80.0%
10.001%	1	20.0%
20.001%	0	0.0%
30.001%	0	0.0%
40.001%	0	0.0%
50.001%	0	0.0%
60.001%	0	0.0%
70.001%	0	0.0%
80.001%	0	0.0%
90.001%	0	0.0%

Retiree All Years at 4.05% Formula

Range	Count	Percentage Impacted
0.001%	0	0.0%
10.001%	3	75.0%
20.001%	1	25.0%
30.001%	0	0.0%
40.001%	0	0.0%
50.001%	0	0.0%
60.001%	0	0.0%
70.001%	0	0.0%
80.001%	0	0.0%
90.001%	0	0.0%

Bricklayers & Allied Craftsmen Local No. 7 Pension Plan
Exhibit 13.4 – Distributions of Benefit Suspensions by Category and 10% Increments, in
Pay Status (Continued)

Retiree Multiple Rates

Retiree All Years at 4.1% Formula

Retiree Multiple Rates				Retiree All Years at 4.1% Formula			
Range		Count	Percentage Impacted	Range		Count	Percentage Impacted
	0%	6	8.6%		0%	3	14.3%
0.001%	10%	4	5.7%	0.001%	10%	4	19.0%
10.001%	20%	1	1.4%	10.001%	20%	3	14.3%
20.001%	30%	5	7.1%	20.001%	30%	6	28.6%
30.001%	40%	6	8.6%	30.001%	40%	2	9.5%
40.001%	50%	12	17.1%	40.001%	50%	2	9.5%
50.001%	60%	20	28.6%	50.001%	60%	1	4.8%
60.001%	70%	16	22.9%	60.001%	70%	0	0.0%
70.001%	80%	0	0.0%	70.001%	80%	0	0.0%
80.001%	90%	0	0.0%	80.001%	90%	0	0.0%
90.001%	100%	0	0.0%	90.001%	100%	0	0.0%

Bricklayers & Allied Craftsmen Local No. 7 Pension Plan
Exhibit 13.5 – Distributions of Benefit Suspensions by Category and 10% Increments, Not in Pay Status

Active All at 1%

Range	Count	Percentage Impacted
0%	54	100.0%
0.001%	0	0.0%
10.001%	0	0.0%
20.001%	0	0.0%
30.001%	0	0.0%
40.001%	0	0.0%
50.001%	0	0.0%
60.001%	0	0.0%
70.001%	0	0.0%
80.001%	0	0.0%
90.001%	0	0.0%

Active Multiple Rates

Range	Count	Percentage Impacted
0%	18	32.1%
0.001%	0	0.0%
10.001%	7	12.5%
20.001%	11	19.6%
30.001%	11	19.6%
40.001%	9	16.1%
50.001%	0	0.0%
60.001%	0	0.0%
70.001%	0	0.0%
80.001%	0	0.0%
90.001%	0	0.0%

Inactive All at 1%

Range	Count	Percentage Impacted
0%	54	100.0%
0.001%	0	0.0%
10.001%	0	0.0%
20.001%	0	0.0%
30.001%	0	0.0%
40.001%	0	0.0%
50.001%	0	0.0%
60.001%	0	0.0%
70.001%	0	0.0%
80.001%	0	0.0%
90.001%	0	0.0%

Inactive All at 3.3%

Range	Count	Percentage Impacted
0%	2	10.0%
0.001%	8	40.0%
10.001%	1	5.0%
20.001%	1	5.0%
30.001%	2	10.0%
40.001%	3	15.0%
50.001%	1	5.0%
60.001%	2	10.0%
70.001%	0	0.0%
80.001%	0	0.0%
90.001%	0	0.0%

Bricklayers & Allied Craftsmen Local No. 7 Pension Plan
Exhibit 13.5 – Distributions of Benefit Suspensions by Category and 10% Increments, Not
in Pay Status (Continued)

Inactive All at 4.1%

Inactive Multiple Rates

Inactive All at 4.1%				Inactive Multiple Rates			
Range		Count	Percentage Impacted	Total Range		Count	Percentage Impacted
	0%	0	0.0%		0%	5	5.3%
0.001%	10%	0	0.0%	0.001%	10%	0	0.0%
10.001%	20%	0	0.0%	10.001%	20%	2	2.1%
20.001%	30%	0	0.0%	20.001%	30%	7	7.4%
30.001%	40%	0	0.0%	30.001%	40%	2	2.1%
40.001%	50%	0	0.0%	40.001%	50%	10	10.5%
50.001%	60%	0	0.0%	50.001%	60%	21	22.1%
60.001%	70%	5	100.0%	60.001%	70%	48	50.5%
70.001%	80%	0	0.0%	70.001%	80%	0	0.0%
80.001%	90%	0	0.0%	80.001%	90%	0	0.0%
90.001%	100%	0	0.0%	90.001%	100%	0	0.0%