Bricklayers & Allied Craftsmen Local No. 7 Pension Plan
Checklist Item #18

Does the application include information on past and current measures taken to avoid insolvency? See section 5.01.

Document 18.1 provides a description of the past and current measures taken by the Pension Plan's Board of Trustees to avoid insolvency.

5.01 Measures Taken to Avoid Insolvency

<u>**Document 18.1**</u>

Past and Current Measures to Avoid Insolvency
(May 1, 2006 to the Present)

The Board of Trustees has determined, in accordance with Code § 432(e)(9)(C)(ii), that the Pension Plan is projected to become insolvent within nine (9) years, unless benefits are suspended as proposed in this application, even though all reasonable measures to avoid insolvency have been taken. The Board of Trustees also has determined that it must take measures that are feasible under the Pension Plan's particular circumstances, and that will likely further the statutory goal of avoiding insolvency. However, the Board of Trustees acknowledges that it does not need to take measures that, while theoretically available, would in practice not promote that statutory goal of avoiding insolvency.

The Pension Plan was established as of February 1, 1968, as a result of a collective bargaining agreement between the Associated General Contractors of America, Akron Chapter, the General Contractors Association of Akron and Akron Masons Contractors Association, and the Bricklayers' and Masons' Local No. 7, Ohio of Bricklayers, Masons and Plasterers International Union of America. The Bricklayers' and Masons Local No. 23 became a participating union under the Pension Plan as of July 1, 1969, and the Bricklayers' and Masons' Local No. 13 became a participating union under the Pension Plan as of April 22, 1970. Both local unions have since merged into Local No. 7.

The Pension Plan is managed under the provisions of the Labor Management Relations Act of 1947, as amended, by the Board of Trustees consisting of an equal number of representatives from labor and management. The purpose of the Pension Plan is to provide retirement benefits, total and permanent disability benefits, and death benefits. The Pension Plan is financed entirely by contributions from the employers as specified in the applicable collective bargaining agreements.

The primary measures available to the Board of Trustees to allow the Pension Plan to avoid insolvency are employer contribution increases and benefit reductions. Over the past ten (10) years, the Board of Trustees has worked with the bargaining parties to develop sustainable combinations of employer contributions and reasonable pension benefit levels. Simultaneously, the Board of Trustees and bargaining parties have been constrained by the collectively bargaining process, the burdens of increased outgoing reciprocity payments, and the amounts that contributing employers are willing and able to contribute to the Fund.

As of the plan year beginning May 1, 2006, the Pension Plan was 75% funded on a market basis, and its assets returned 10.97% on its investments. At the time, there were 201 retirees, surviving spouses, and alternate payees in pay status; 119 inactive vested participants and deferred beneficiaries; and 195 active participants working an average of 1,139 hours per year. The present value of accumulated vested benefits was $33,853,627, and the market value of assets was $26,539,420.

Since that time, the Pension Plan's demographics and asset base have declined to its current levels. At present, the Pension Plan is 49% funded on an actuarial basis, and it is facing a projected insolvency date during the 2024-2025 plan year. As of May 1, 2015, the Pension Plan was 48.3% funded on a market basis, and its assets returned 6.72% on its investments for the most recent plan year. As of the most recent completed actuarial valuation as of May 1, 2015, there are 221 retirees, surviving spouses, and alternate payees in pay status; 118 inactive vested participants and deferred beneficiaries; and 144 active participants working an average of 930 hours per year. The present value of accumulated vested benefits is $35,983,111, and the market value of assets was $17,411,864.

2006: As of May 1, 2006, the Pension Plan's level of funding was 75% on a market basis. The number of active participants was down 11.0% from the previous plan year, and the contribution hours decreased by 12.3% from the previous plan year. The Pension Plan's investments returned 10.97% on a market basis. In response to the funding concerns, the bargaining parties agreed to increase the contribution rate to $3.55 per hour from $3.30, effective June 1, 2006. After much debate and with a few alternate proposals that were in effect only for a short period of time, the Board of Trustees also adopted a decrease in the rate at which future benefits would accrue. Effective May 1, 2006, the future service benefit accrual rate was decreased to 1.00% of $2.00 for employer contributions made after May 1, 2006, with contributions above $2.00 non-credited.

2007: As of May 1, 2007, the Pension Plan's level of funding was 79% on a market basis. The number of active participants was down 11.8% from the previous plan year, and the contribution hours decreased by 11.4% from the previous plan year. The Pension Plan's investments returned 10.45% on a market basis. In response to the funding concerns, the bargaining parties agreed to increase the contribution rate to $4.01 per hour, effective June 1, 2007. The Board of Trustees also adopted another benefit change. On September 7, 2007, with an effective date of January 1, 2008, the Board of Trustees added the qualified joint and 75% benefit option, as required by law. No cost was associated with this change.

2008: As of May 1, 2008, the Pension Plan's level of funding was 71% on a market basis. The number of active participants was down 9.3% from the previous plan year, and the contribution hours decreased by 23.8% from the previous plan year. The Pension Plan's investments returned -2.69% on a market basis. In response to the funding concerns, the bargaining parties agreed to increase the contribution rate to $4.41 per hour, effective September 1, 2008. In July 2008, the trustees changed investment firms, going with JP Morgan & Co., in order to improve investment returns.

During this plan year, the Board of Trustees adopted several amendments to the Pension Plan to eliminate several subsidies and ancillary benefits following passage of the Pension Protection Act of 2006 (the "PPA"). The Board of Trustees also adopted its first rehabilitation plan, and the actuary certified on July 29, 2008, that the Pension Plan was in "critical" status under the PPA. The Notice of Critical Status was issued to contributing employers and participants on August 19, 2008. Under the rehabilitation plan, the Pension Plan was projected to exceed 80% funded by the plan year beginning on May 1, 2013, but not to exit critical status without a funding deficiency in the credit balance until May 1, 2023. Thus, the initial rehabilitation plan made use of the exhaustion of all reasonable measures clause at Code § 432(e)(3)(A)(ii).

On September 22, 2008, with an effective date of May 1, 2009, the Board of Trustees made the following benefit adjustments:

- The early retirement factor was changed from 1/3 of 1% to .5833% for each month under age 62. Participants who were at least age 55 and had at least 10 years of service as of May 1, 2009 would use the 1/3 of 1% reduction. This reduction closely approximates a full actuarial adjustment at most ages, but is easier to communicate than an exact actuarial equivalence. The purpose of preserving the prior rules for those persons already eligible to retire was to prevent a large rush to retire in the window between the announcement and the effective date of the change. A large group of immediate retirements would have had a more significant negative impact on the Pension Plan than preserving the prior rules would have had.

- The 60-month guarantee post-retirement death benefit was removed for participants not in pay status as of May 1, 2009.

- The pre-retirement 5-year certain death benefit was removed for deaths after May 1, 2009.

- The total and permanent disability benefit was eliminated for disabilities after May 1, 2009.

- The cost of the pre-retirement surviving spouse benefit would be paid by the participant.

These benefit cuts were scheduled to reduce the present value of the accumulated benefits by approximately $2.3 million. At the time, the present value of accumulated vested benefits was $34,672,083, and the market value of assets was $25,340,853. The changes above included all such changes available as adjustable benefits.

2009: As of May 1, 2009, the Pension Plan's level of funding was 51.6% on a market basis. The number of active participants was down 12.8% from the previous plan year, and the contribution hours decreased by 11.1% from the previous plan year. The Pension Plan's investments returned -24.68% on a market basis. In response to the funding concerns, the bargaining parties agreed to increase the contribution rate to $4.81 per hour, effective June 1, 2009. The Board of Trustees made no benefit changes during this plan year. However, during the previous plan year, Congress passed the Worker, Retiree, and Employer Recovery Act of 2008 ("WRERA"), which allowed the Board of Trustees to freeze the current rehabilitation plan for a 1-year period to evaluate the impact of the asset losses caused by the market crash of 2008-2009. At the time, the present value of accumulated vested benefits was $33,867,493, and the market value of assets was $17,516,662.

After this large investment loss, the annual update to the rehabilitation plan first showed a projected insolvency. The trustees continued to make use of the exhaustion of all reasonable measures clause and began attempting to forestall insolvency. Insolvency was expected by April 30, 2023.

2010: As of May 1, 2010, the Pension Plan's level of funding was 59.7% on a market basis. The number of active participants was up 3.7% from the previous plan year, and the contribution hours increased by 18% from the previous plan year. The Pension Plan's investments returned 29.68% on a market basis. In response to the funding concerns, the bargaining parties agreed to increase the contribution rate to $5.21 per hour, effective June 1, 2010. The Board of Trustees made no benefit changes during this plan year. At the time, the present value of accumulated vested benefits was $34,484,817, and the market value of assets was $20,654,452.

2011: As of May 1, 2011, the Pension Plan's level of funding was 61.6% on a market basis. The number of active participants was down 7.1% from the previous plan year, and the contribution hours decreased by 16% from the previous plan year. The Pension Plan's investments returned 14.16% on a market basis. In response to the funding concerns, the bargaining parties agreed to increase the contribution rate to $5.61 per hour, effective June 1, 2011. The Board of Trustees made no benefit changes during this plan year. At the time, the present value of accumulated vested benefits was $34,740,407, and the market value of assets was $21,415,024. In June 2011, the trustees agreed to enter into a fiduciary asset management agreement with JP Morgan Smith Barney in an attempt to increase investment returns.

2012: As of May 1, 2012, the Pension Plan's level of funding was 55.3% on a market basis. The number of active participants was up 7.6% from the previous plan year, and the contribution hours increased by 12.8% from the previous plan year. The Pension Plan's investments returned 0.71% on a market basis. In response to the funding concerns, the bargaining parties agreed to increase the contribution rate to $6.01 per hour, effective June 1, 2012. The Board of Trustees made no benefit changes during this plan year. At the time, the present value of accumulated vested benefits was $35,419,483, and the market value of assets was $19,614,346.

2013: As of May 1, 2013, the Pension Plan's level of funding was 53.8% on a market basis. The number of active participants was down 7.8% from the previous plan year, and the contribution hours decreased by 20.1% from the previous plan year. The Pension Plan's investments returned 8.65% on a market basis. In response to the funding concerns, the bargaining parties agreed to increase the contribution rate to $6.41 per hour, effective June 1, 2013. The Board of Trustees made no benefit changes during this plan year. At the time, the present value of accumulated vested benefits was $35,456,723, and the market value of assets was $19,101,019.

2014: As of May 1, 2014, the Pension Plan's level of funding was 51.5% on a market basis. The number of active participants was down 20% from the previous plan year, and the contribution hours decreased by 17.6% from the previous plan year. The Pension Plan's investments returned 8.27% on a market basis. In response to the funding concerns, the bargaining parties agreed to increase the contribution rate to $6.46 per hour, effective June 1, 2014. The Board of Trustees made no benefit changes during this plan year. At the time, the present value of accumulated vested benefits was $35,571,497, and the market value of assets was $18,341,720.

2015: As of May 1, 2015, the Pension Plan's level of funding was 48.3% on a market basis. The number of active participants was up 38.5% from the previous plan year, and the contribution hours increased by 41.3% from the previous plan year. The Pension Plan's investments returned 6.72% on a market basis. In response to the funding concerns, the bargaining parties agreed to increase the contribution rate to $6.66 per hour, effective June 1, 2015. At the time, the present value of accumulated vested benefits was $35,983,111, and the market value of assets was $17,411,864.