Bricklayers & Allied Craftsmen Local No. 7 Pension Plan
Checklist Item #20

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

Document 20.1 provides a description of how the relevant factors were taken into account to avoid insolvency.

5.03 How the Relevant Factors Were Taken into Account

Document 20.1

Summary of How the Board of Trustees Took into Account All Relevant Factors to Determine that All Reasonable Measures Have Been Taken to Avoid Insolvency

Over the years, the Board of Trustees has worked through several possible solutions to fix the Pension Plan's funding problems. The steps that the Board of Trustees has taken over the past ten (10) years are discussed in more detail in Checklist Item #18.

In addition, as summarized in Checklist Item #19 and as required by Revenue Procedure 2016-27, section 5.02, the Board of Trustees considered several factors to determine that all reasonable measures have been taken into account to avoid insolvency. The following summarizes how those various factors were taken into account to determine that all reasonable measures have been taken to avoid insolvency. See Revenue Procedure 2016-27, section 5.03.

1. Contribution Levels and Benefit Accruals

As noted in Checklist Item #19, the Board of Trustees considered contribution levels and the fact that contribution increases beyond those required by the Pension Plan's rehabilitation plan would drive an increasing number of contributing employers from the Pension Plan, either through business failures or withdrawals. The Pension Plan could not withstand an increase in the number of contributing employers withdrawing from the Fund, given the tech bubble bursting in 2000, the economic downturn in March 2001, and the stock market collapses in 2008-2009 and 2015-2016.

The history of recent hourly contribution rates is shown in the following table:

Effective Date	Hourly Contribution Rate*
June 1, 2006	3.55
June 1, 2007	4.01
Sept. 1, 2008	4.41
June 1, 2009	4.81
June 1, 2010	5.21
June 1, 2011	5.61
June 1, 2012	6.01
June 1, 2013	6.41
June 1, 2014	6.46
June 1, 2015	6.66
June 1, 2016	6.80

* Effective May 1, 2006, only $2.00 of the hourly rate was used to calculate benefits. Effective May 1, 2016, the future benefit formula was changed to 0.30% of the first $6.66 and 1.0% of contributions over $6.66 and the entire hourly rate is credited.

The increase from \$3.30 to \$6.80 over an 11-year period represents an average compound increase of about 6.8% over the same time inflation (as measure by the CPI) increased about 1.9% per year.

The Board of Trustees also considered significant reductions in benefit accruals in order to avoid insolvency. However, the Board of Trustees did not accept this approach because the active participants were already paying in such a large portion of their wages, and any further reductions in their benefits would decrease their support of the Pension Plan, thereby risking loss of members in the local union. Similarly, significant increases in employer contributions would have hurt the contributing employers' competitiveness for available jobs in the local union's jurisdiction, thereby leading toward additional business failures, closings, and bankruptcies.

2. Subsidies and Adjustable Benefits

As noted in Checklist Item #19, the Pension Plan eliminated essentially all subsidies and adjustable benefits in 2008 following the passage of the PPA and the WRERA. The Board of Trustees did consider eliminating all subsidies and adjustable benefits, but the only remaining subsidy is a very small subsidy in early retirement at some ages due to adoption of a simplified set of reductions in place of exact actuarial equivalent reductions. The Board of Trustees, with the advice of the Pension Plan's actuary, determined that eliminating that subsidy would have no appreciable impact on the Pension Plan's funding problems. As a result, the Board of Trustees determined that no other subsidies or adjustable benefits could be eliminated in order to avoid insolvency.

3. Elimination of Employer Contributions through a Mass Withdrawal

The Board of Trustees determined that the termination of the Pension Plan through a managed mass withdrawal would not resolve the funding problems, even though it would have provided the contributing employers with a finite liability to the Pension Plan. Obviously, such a termination of the Pension Plan would hasten its insolvency, thereby resulting in even more drastic benefit reductions than what is contemplated under this proposal. Moreover, such benefit reductions would impact retirees who are age 80 or over, or who are receiving disability benefits under the Pension Plan. From the employers' perspective, there are no significant scheduled contribution increases under the applicable collective bargaining agreements, so this proposal would not harm the existing contributing employers. Under a mass withdrawal, withdrawal liability payments may be more than current contributions for many employers due to the averaging rules for contribution base units upon which withdrawal liability payments are based. In addition, employers might be under pressure to provide new retirement benefits under their defined contribution plans while still making large withdrawal liability payments.