# REHABILITATION PLAN FOR THE
# Alaska Ironworkers Pension Plan

Adopted August 30, 2010
Last Revised July 29, 2014

## Introduction

The Pension Protection Act of 2006 ("PPA") requires an annual actuarial status determination for multiemployer pension plans like the Alaska Ironworkers Pension Plan (the "Plan"). A certification of endangered status or critical status requires specific action from the plan trustees. On August 27, 2010 the Plan's actuary certified to the U.S. Department of the Treasury and the Trustees that the Plan was in critical status for the plan year beginning July 1, 2010. This was communicated in September 2010 to all plan participants and participating employers.

A plan in critical status must develop and maintain a rehabilitation plan. In general, a rehabilitation plan is comprised of one or more schedules made up of benefit adjustments and/or contribution increases intended to return the Plan to actuarial balance over the Rehabilitation Period. These schedules are presented to the collective bargaining parties for adoption. The Rehabilitation Period is a 10 year period beginning no later than 3 years after the beginning of the plan year in which the plan is certified as critical.

However, due to the unique convergence of circumstances, the Trustees have determined that they cannot adopt a rehabilitation plan that will enable the Plan to emerge from critical status using reasonable assumptions. This determination is based on returns in the investment markets and their impact on the Plan's assets, the state of the economy, and the state of the ironworking industry in Alaska. In making this determination, the Trustees have reviewed all reasonable options (i.e., reducing the adjustable benefits and requiring employer contribution rate increases). Based on that review, the Trustees developed the rehabilitation plan, described herein, as the best long term option for the Plan. The Trustees believe an alternative rehabilitation plan with contributions sufficient to bring the Plan out of critical status would result in the withdrawal of most or all of its participating employers, and/or prompt an increase in employer bankruptcy filings. Neither outcome is judged to be acceptable to the Trustees.

Therefore, the Trustees have adopted a rehabilitation plan that reflects reasonable measures to forestall insolvency. In creating such a rehabilitation plan under the current circumstances, the Trustees have employed all reasonable measures to avoid insolvency that are available to date. In forestalling insolvency, the rehabilitation plan also provides time for a potential recovery in the economy, the industry and the investment markets.

### Summary of Rehabilitation Plan Schedule

The rehabilitation plan consists of a single schedule that sets forth the benefit and contribution requirements. Those changes are described below. The collective bargaining parties are responsible for adopting the schedule, with adoption required no later than 180 days after the termination of their collective bargaining agreement in effect on the certification date.

### Plan Benefit Changes

Reductions to benefits earned before November 1, 2010 apply to participants commencing their benefits on or after November 1, 2010 and will apply to payments made 30 days or more after the participant receives notice of those reductions.

**Accrual Rate:** The benefit accrual rate applied to contributions that are eligible for benefits for hours starting in July 2011 was reduced from 1.2% to 1.0% of contributions. Under the 1.0% accrual rate, contributions of $1,000 on a participant's behalf are required for a $10.00 increase in the participant's monthly benefit payable at normal retirement age.

The accrual rate was previously reduced from 2.1% to 1.2% of contributions for hours starting in July 2003.

**Early Retirement Benefits on or after November 1, 2010 were changed as follows:**

| Age | Prior Factors | New Factors |
|---|---|---|
| 60 | 100% | 100% |
| 59 | 97% | 92% |
| 58 | 94% | 84% |
| 57 | 91% | 76% |
| 56 | 88% | 68% |
| 55 | 85% | 60% |
| 54 | 79% | 56% |
| 53 | 73% | 52% |
| 52 | 67% | 48% |
| 51 | 61% | 44% |
| 50 | 55% | 40% |

**Normal Retirement Age for Benefits earned on or after July 1, 2011:** Normal Retirement Age was changed from 60 to 62 for benefits earned on or after July 1, 2011.

**Early Retirement Benefits earned on or after July 1, 2011:** The early retirement factors used to calculate early retirement benefits earned on or after July 1, 2011 are:

| Age | New Factors |
|---|---|
| 62 | 100% |
| 61 | 92% |
| 60 | 84% |
| 59 | 76% |
| 58 | 68% |
| 57 | 60% |
| 56 | 56% |
| 55 | 52% |
| 54 | 48% |
| 53 | 44% |
| 52 | 40% |
| 51 | 36% |
| 50 | 32% |

**Six-year certain period:** The Plan had guaranteed a minimum of 72 months of payments regardless of the form of payment selected by the participant. Therefore, the monthly benefit would continue until a total of 72 payments had been made regardless of whether the participant or a surviving spouse entitled to further payments is alive. Payments now stop upon the death of the participant unless the participant's spouse is entitled to further payments due to the form of payment elected at retirement. This applies to retirements commencing November 1, 2010 or later.

**Lump Sum Death Benefits:** The $5,000 lump sum death benefit for both pre-retirement and post-retirement deaths was removed. The lump-sum death benefit for non-vested participants equal to all contributions made to the Fund on their behalf was removed. This applies to deaths occurring November 1, 2010 or later.

**Disability Benefits:** The disability benefit under the Plan was removed. This applies to disabilities occurring November 1, 2010 or later.

**Pop-Up Reductions:** The Plan specifies a reduction of 1 percent for the pop-up benefit. This was changed to an actuarial equivalent. Effective for retirements commencing on or after November 1, 2010.

**Employer Contribution Increases**

The additional contributions required under the schedule will not translate into additional benefit accruals. These contributions are directed solely toward improving the Plan's funding status.

Employer contributions are required to increase by $1.00 per hour in August of 2010, 2011, 2012, 2013 and 2015. This represents the maximum increases that can be reasonably expected from the participating employers. The employer contribution rate at July 1, 2010 is $8.75 per hour. $4.00 per hour of the $8.75 has already been directed solely toward improving the Plan's funded status prior to the July 1, 2010 actuarial certification of critical status and is incorporated as part of this rehabilitation plan. In future years, the Trustees expect to review the rehabilitation plan annually, and consider adjustments to the required employer contributions. However, notwithstanding any subsequent change in benefit and contribution schedules, a schedule of contribution rates provided by the Trustees and relied upon by the bargaining parties in negotiating a collective bargaining agreement shall remain in effect for the duration of that collective bargaining agreement.

**Shop Contributions**

Pension contributions under shop agreements have traditionally been much smaller than the pension contributions made for field Ironworkers. Consequently it would be unreasonable and unfair to require employers under shop agreements to match the dollar increases required under the primary schedule. Instead, the rehabilitation plan specifies that shop agreement contribution increases will occur on a pro-rata basis of shop versus field pre-rehabilitation contributions.

Pre-rehabilitation contributions for a field ironworker were $8.75 per hour. In August 2011 there was a rehabilitation contribution of $2.00 in addition to the $8.75 pre-rehabilitation contribution for a total field ironworker contribution of $10.75. Therefore in August 2011 the corresponding rehabilitation shop contribution is $2.00 / $8.75 = 22.9%of the pre-rehabilitation shop contribution. The following chart details the percentages for future years.

| Dates | Size of Shop Rehabilitation Contributions Expressed as a Percentage of Pre-rehabilitation Contributions |
|---|---|
| August 1, 2011 – July 21, 2012 | 22.9% ($2.00/$8.75) |
| August 1, 2012 – July 21, 2013 | 34.3% ($3.00/$8.75) |
| August 1, 2013 – July 21, 2015 | 45.7% ($4.00/$8.75) |
| August 1, 2015 and thereafter | 57.1% ($5.00/$8.75) |

**Basis for Schedule, and other Alternatives Considered**

In developing the rehabilitation plan, the Trustees looked at all options for benefit adjustments and contribution increases. In this process, the goal of the Trustees was the future survival of the Plan. Given this goal, the Trustees desired to maintain both employer participation in the Plan and some level of ongoing benefit accruals for active participants. The schedule was developed as the best option to meet these goals.

Additional considerations for benefits and contributions were as follows:

*Benefits*

Participant benefits under the schedule effectively reflect the maximum reduction in adjustable benefits, as defined by the PPA.

Effective July 1, 2011, the accrual rate is reduced to a level equivalent to a 1.0% monthly benefit accrual, where the accrual is a function of contributions made on a participant's behalf. This is the accrual rate in the default schedule provided by the PPA. As part of the discussion on the rehabilitation plan, the Trustees considered reducing the accrual rate to a lower percentage or even freezing accruals, but this was viewed as inconsistent with a viable plan with ongoing value for active participants. In particular, freezing accruals could lead to increased employer withdrawals, as the collective bargaining parties see no benefit in ongoing participation.

*Contributions*

The Trustees developed the required contribution increases under the schedule to maximize contribution levels, while limiting employer withdrawals and employer bankruptcies. The Trustees did consider the contribution increase levels that would be required, in combination with the benefit adjustments, for the Plan to emerge from critical status by the end of the Rehabilitation Period. However, the Trustees concluded that contributions at these levels would result in withdrawals or bankruptcy for many or most employers. Therefore, the Trustees determined that this would not represent a reasonable rehabilitation plan where the Plan can reasonably be expected to emerge from critical status.

In this process, the Trustees reviewed the default plan, as defined by the PPA. The default plan would require benefit adjustments consistent with the adjustments included in this plan, and contribution increases at a much higher level. The Trustees concluded that the default plan would not be a reasonable or practical plan, since it would likely lead to many employer withdrawals or bankruptcies.

In future years, the Trustees expect to review the rehabilitation plan annually, and consider adjustments to the required employer contributions.

Given the options available under the PPA, the combination of benefit adjustments and contribution increases included in this schedule represents the schedule that provides the best opportunity for the long term survival of the Plan, in the view of the Trustees. This schedule provides a significant reduction in plan liabilities, requires contribution increases, and provides time for potential recovery of the investment market. These actions are intended to forestall possibly insolvency, and maximize the probability that the Plan will eventually emerge from critical status.

## Rehabilitation Plan Standards and Annual Review

A rehabilitation plan must provide annual standards for meeting the requirements of the plan; namely, that the plan emerge from critical status by the end of the Rehabilitation Period. However, because the Plan is not projected to emerge from critical status by the end of the Rehabilitation Period under the schedule, there are no standards available to confirm that the Plan will emerge.

The Trustees will review the rehabilitation plan annually, and modify it as appropriate, in order to meet the objective of the Plan's long-term survival, consistent with requirements under the PPA to forestall insolvency and possibly emerge from critical status at a later date. The annual review will include a review of the funding percentage and the projection of the IRS minimum contribution credit balance. Included in the annual review will be consideration of employer contribution requirements, and the potential to increase these contributions to a higher level.

Notwithstanding any subsequent change in benefit and contribution schedules, a schedule of contribution rates provided by the Trustees and relied upon by the bargaining parties in negotiating a collective bargaining agreement shall remain in effect for the duration of that collective bargaining agreement.

## Adoption of the Rehabilitation Plan Schedule

Collective bargaining parties must adopt the rehabilitation plan schedule upon the expiration of the collective bargaining agreement (CBA) in effect on the certification date, or sooner. If the collective bargaining parties do not adopt a schedule within 180 days of the expiration of the CBA in effect on the certification date, the rehabilitation plan will be imposed, as required by the PPA. For each specific collective bargaining agreement, the contributions required under the rehabilitation plan schedule adopted by collective bargaining parties pursuant to that agreement will remain effective for the duration of collective bargaining agreement.

For collective bargaining parties without a CBA in effect on the certification date, the CBA will be considered to expire on the certification date for purposes of the deadlines noted in the paragraph above.

The Trustees have the authority to adopt a rehabilitation plan schedule for participants who are not covered by a CBA. This includes participants who have terminated active participation in the Plan but have a vested benefit. The Trustees have adopted the rehabilitation schedule for these participants effective August 30, 2010.

## Restrictions on Plan Changes While Critical

While the Plan is in critical status there are certain restrictions on changes that can be made to the Plan. These include:

- Collective bargaining agreements cannot be accepted that adversely affect the Plan's funding status. For example, new agreements cannot reduce the contribution rate or exclude new employees.
- Amendments cannot be passed that are inconsistent with the rehabilitation plan.
- Amendments cannot be passed that increase benefits, unless they are paid for with contributions not required for the rehabilitation plan.
- Amendments cannot be passed that increase the liabilities of the Plan, unless such amendments are required by law.
- The Plan cannot pay benefits such as lump sum or similar benefits and no annuity purchases can be made (small lump sum distributions are permitted).

### Potential Changes to Rehabilitation Plan

The Trustees reserve the right to alter, change and revise the rehabilitation plan, in whole or in part, in accordance with the Pension Protection Act of 2006 and any accompanying regulations issued thereunder. Any omissions and oversights will be interpreted in accordance with the applicable law and regulations.