

WESTERN PENNSYLVANIA TEAMSTERS AND EMPLOYERS PENSION FUND

SUSPENSION APPLICATION

Exhibit 2

**2018 PPA Certification and Plan Actuary's
Supplemental Certification that the Plan is in Critical
and Declining Status**



Western Pennsylvania Teamsters and Employers Pension Fund

Exhibit 2

2018 PPA Certification and Plan Actuary's Supplemental Certification that the Plan is in Critical and Declining Status

The Plan was originally certified to be in Critical and Declining Status for the 2018 plan year on March 30, 2018 based on the January 1, 2017 Actuarial Valuation Report and assumptions (attached).


In order to be consistent with the projections and certifications that are the basis of this suspension application, we have prepared this supplemental "Demonstration of Insolvency without Proposed Suspension" based on the January 1, 2018 Actuarial Valuation Report and assumptions and the most recent plan assets as of June 30, 2018. The deterministic projection that follows the original PPA Certification demonstrates that based upon the assumptions outlined in Exhibit 11, the Plan will become insolvent without the proposed benefit suspension in 2028.

This certification was prepared on behalf of the Western Pennsylvania Teamsters and Employers Pension Fund based on employee data, asset statements and plan documents provided by the Plan Sponsor. We relied upon the data submitted without formal audit. However, the data was tested for reasonableness, and we have no reason to believe that any other information would have a material effect on the results.

To the best of our knowledge and belief, the information presented in this certification is complete and accurate, and each assumption used represents our best estimate of anticipated experience under the Plan. The actuarial assumptions used are generally the same as those used in the January 1, 2018 actuarial valuation and are described in more detail in Exhibit 11 along with any exceptions.

The assumptions utilized in this submission and described in Exhibit 11 have been selected for the purpose of determining projected benefit payments and assets that will be used to evaluate the projected solvency of the Plan. We have selected assumptions that reflect the Plan's experience, where appropriate, and general population demographics and trends where Plan experience is not available. We believe that the information provided, including the assumptions and methods utilized, are in accordance with generally accepted actuarial principles and practices, including Actuarial Standards of Practice (ASOP) Nos. 4, 23, 27, 35, 41 and 44. We are not aware of any deviations from the ASOPs in the preparation of the analysis and results provided herein.

Future actuarial experience and measurements may differ significantly from the current measurements presented in this submission due to such factors as plan experience differing from that anticipated by the economic and demographic assumptions. We have provided analysis in this submission using alternative assumptions as set forth in the regulations for benefit suspensions for multiemployer plans in IRC Sec. 1.432(e)(9)-1(d)(5).



Randee W. Sekol, EA, MAAA, MSPA, FCA
Enrolled Actuary No. 17-03192

September 24, 2018



**WESTERN PENNSYLVANIA TEAMSTERS AND
EMPLOYERS PENSION FUND**

**Actuarial Certification of Funding Status in accordance with
the Pension Protection Act of 2006**

**As of
January 1, 2018**

For the Plan Year Beginning January 1, 2018 and Ending December 31, 2018

Prepared by:
Beyer-Barber Company
Employee Benefit and Actuarial Consultants
1136 Hamilton Street, Suite 103
Allentown, PA 18101



BEYER-BARBER COMPANY

1136 HAMILTON STREET, SUITE 103
ALLENTOWN, PENNSYLVANIA 18101

PHONE 610-435-9577
FAX 610-435-2663
www.beyerbarber.com

March 30, 2018

Board of Trustees
Western Pennsylvania Teamsters and Employers Pension Fund
900 Parish Street, Suite 101
Pittsburgh, PA 15220

RE: Actuarial Certification of Funding Status as of January 1, 2018

Trustees:

In accordance with the provisions of the Pension Protection Act of 2006 (PPA) as amended by the Multiemployer Pension Reform Act of 2014 (MPRA), I have prepared an actuarial certification of the funding status of the Western Pennsylvania Teamsters and Employers Pension Fund as of January 1, 2018. The attached report provides details of the actuarial and projection assumptions and methods used, the resultant projections and the results of the application of the PPA status testing performed.

As of January 1, 2018 the plan is **IN CRITICAL & DECLINING STATUS** as defined in Section 432 of the Internal Revenue Code. This determination has been made in accordance with generally accepted actuarial principles and practices and my understanding of the law. A copy of this certification will be mailed to the Secretary of the Treasury as required by law.

I am prepared to assist the Fund in communicating the funding status information to the interested parties which must be done within 30 days of this certification by April 29, 2018.

[Redacted Signature]

Randee W. Sekol, EA, ~~MAAA~~, MSPA, FCA
CEO & Chief Actuary



**ACTUARIAL CERTIFICATION OF FUNDING STATUS
UNDER THE PENSION PROTECTION ACT OF 2006**

Plan Name: Western Pennsylvania Teamsters and Employers Pension Fund

Plan Sponsor: Board of Trustees Western Pennsylvania Teamsters & Employers Pension Fund

EIN: 25-6029946

Plan Number: 001

Plan Contact Information: Western Pennsylvania Teamsters and Employers Pension Fund

900 Parish Street, Suite 101

Pittsburgh, PA 15220

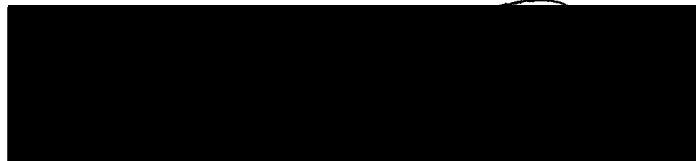
Phone: 412-362-4200

Plan Year of Certification: January 1, 2018 to December 31, 2018

I hereby certify that the Western Pennsylvania Teamsters and Employers Pension Fund is **IN CRITICAL & DECLINING STATUS** for the 2018 plan year as defined under Section 432 of the Internal Revenue Code. My projections are based on the Actuarial Valuation that was prepared as of January 1, 2017.

This determination has been made in accordance with generally accepted actuarial principles and practices and my understanding of the law. The actuarial assumptions, projection assumptions and methods used follow this certification. This certification is based on the understanding that the Western Pennsylvania Teamsters and Employers Pension Plan qualifies as a multiemployer plan in accordance with the law for the 2018 plan year.

To the best of my knowledge, the information supplied in this certification including the following exhibits is complete and accurate, and in my opinion represent my best estimate of anticipated experience under the plan.



Randee W. Sekol, EA, ~~MAAA~~, MSPA, FCA

Enrolled Actuary No. 17-03192

Beyer-Barber Company

1136 Hamilton Street, Suite 103

Allentown, PA 18101

Phone: 610-435-9577

Fax: 610-435-2663

Date: March 30, 2018

EXHIBIT I

PENSION PROTECTION ACT OF 2006 FUNDING STATUS DETERMINATION FOR 2018

CRITICAL STATUS TESTING - The Fund is in Critical Status if one or more of the following tests is met.

Test 1

- | | | |
|---|-----|------------------------|
| 1. Was the plan certified to be in Critical Status for the prior plan year? | YES | |
| 2. Is the plan projected to have an accumulated funding deficiency for the plan year or any of the 9 succeeding plan years, without regard to the use of the shortfall method but taking into account extensions of amortization periods under Section 304(d) of ERISA? | YES | |
| 3. Critical status if both #1 and #2 are YES? | | <u>CRITICAL</u> |

Test 2

- | | | |
|--|-----|----------------------------|
| 1. Is Funded Percentage below 65%? | YES | |
| 2. Is the sum of assets and the present value of expected contributions for the current plan year and each of the next 6 plan years less than the present value of benefits to be paid during that period? | NO | |
| 3. Critical status if both #1 and #2 are YES? | | <u>NOT CRITICAL</u> |

Test 3

- | | | |
|--|-----|------------------------|
| 1. Does the plan have an accumulated funding deficiency in the current plan year before consideration of amortization extensions? | YES | |
| 2. Is the plan projected to have an accumulated funding deficiency within the 3 succeeding plan years (4 succeeding plan years if the Funded Percentage is 65% or less) before consideration of amortization extensions? | YES | |
| 3. Critical Status if either #1 or #2 is YES? | | <u>CRITICAL</u> |

Test 4

- | | | |
|--|-----|--|
| 1. Does normal cost plus interest on the unfunded accrued liability exceed the expected contributions? | YES | |
| 2. Is the present value of nonforfeitable benefits for inactive greater than the present value of nonforfeitable benefits for actives? | YES | |



EXHIBIT I, cont'd

PENSION PROTECTION ACT OF 2006
FUNDING STATUS DETERMINATION FOR 2018

CRITICAL STATUS TESTING, cont'd

Test 4, cont'd

- | | | |
|---|-----|------------------------|
| 3. Does the plan have an expected accumulated funding deficiency for the current plan year or for any of the succeeding 4 plan years before consideration of amortization extensions? | YES | |
| 4. Critical Status if #1, #2 and #3 are "YES"? | | <u>CRITICAL</u> |

Test 5

- | | | |
|---|----|----------------------------|
| 1. Is the sum of the market value of assets plus the expected contributions for the current and 4 succeeding plan years less than the present value of benefits expected to be paid during that period including plan expenses? | NO | |
| 2. Critical Status if #1 is "YES"? | | <u>NOT CRITICAL</u> |

CONCLUSION: THE PLAN IS IN CRITICAL STATUS

CRITICAL AND DECLINING STATUS TESTING – The Fund is in Critical and Declining Status if one or more of the following tests is met.

Test 1

- | | | |
|--|-----|--|
| 1. Is the plan in Critical Status? | YES | |
| 2. Is the Plan expected to become insolvent in the current plan year or any of the succeeding 14 plan years? | YES | |
| 3. Critical and Declining Status if both #1 and #2 are "YES"? | | <u>CRITICAL & DECLINING</u> |

Test 2

- | | | |
|--|-----|--|
| 1. Is the plan in Critical Status? | YES | |
| 2. Is Funded Percentage below 80%? | YES | |
| 3. Is the inactive to active participant ratio greater than 2 to 1? | YES | |
| 4. Is the Plan expected to become insolvent in the current plan year or any of the succeeding 19 plan years? | YES | |
| 5. Critical and Declining Status if either #2 or #3 is "YES" <u>and</u> both #1 and #4 are "YES"? | | <u>CRITICAL & DECLINING</u> |

CONCLUSION: THE PLAN IS IN CRITICAL AND DECLINING STATUS



ENDANGERED STATUS TESTING

- | | |
|---|-----------------------|
| 1. Is the plan in Critical or Critical and Declining Status? | YES |
| 2. Is Funded Percentage below 80%? | YES |
| 3. Does the plan have an expected accumulated funding deficiency for the current plan year or for any of the succeeding 6 plan years taking into account any extension of amortization periods under Section 304(d) of ERISA? | YES |
| 4. Endangered Status if #1 is "NO" and either #2 or #3 is "YES"? | <u>NOT ENDANGERED</u> |

**CONCLUSION: THE PLAN IS IN NOT IN ENDANGERED STATUS
BECAUSE IT IS IN CRITICAL & DECLINING STATUS**



EXHIBIT II

PENSION PROTECTION ACT OF 2006 PROJECTION RESULTS FOR 2018

<u>Plan Year</u>	<u>Active Population</u>	<u>Inactive Population</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability</u>	<u>Funded Percentage</u>	<u>FSA Credit Balance w/o Amortization Extension</u>
2018	4,096	18,478	\$636,112,117	\$1,751,080,856	36.3%	(\$183,168,484)
2019	4,007	18,483	593,079,165	1,748,570,481	33.9%	(279,779,517)
2020	3,920	18,477	552,201,549	1,744,300,738	31.7%	(382,905,221)
2021	3,836	18,434	517,915,801	1,737,877,523	29.8%	(493,614,448)
2022	3,754	18,362	479,567,593	1,729,267,113	27.7%	(603,322,431)
2023	3,675	18,269	424,845,119	1,718,116,522	24.7%	(710,989,931)
2024	3,598	18,149	364,714,098	1,704,312,953	21.4%	(820,409,653)
2025	3,524	18,010	299,435,965	1,687,863,922	17.7%	(923,387,344)
2026	3,452	17,848	228,898,291	1,668,666,016	13.7%	(1,034,648,275)
2027	3,382	17,670	152,975,785	1,646,511,488	9.3%	(1,156,570,917)
2028	3,336	17,474	72,262,838	1,621,604,148	4.5%	(1,279,328,827)
2029	3,292	17,262	161,574	1,593,954,655	0.0%	(1,386,765,767)
2030	3,248	17,032	(47,854)	1,563,634,793	0.0%	(1,405,916,779)



EXHIBIT III

PENSION PROTECTION ACT OF 2006 FORECAST PROJECTION METHODS AND ASSUMPTIONS FOR 2018

Assets:

Valued as of: December 31, 2016

Source of assets: Audited financial statement

Adjustments: None

Method Used to Project Assets: Assets as of December 31, 2017 are based on draft financials prepared by the Fund's accountant. Investment returns for subsequent forecast years are based on varied returns suggested by the Fund Investment Manager starting at 6.69% for 2018, dropping to a low of 6.24% by 2027 and increasing back up to an ultimate rate of 8%.

Method Used to Project Liabilities: Liabilities are projected based on deterministic forecasting techniques and actuarial assumptions.

Other Anticipated Changes from Original Valuation/Schedule MB: No changes were made to the assumptions for interest rate, mortality and turnover.

Active Membership: Active membership for UPS is assumed to remain constant for all future years. Active membership for all other actives is assumed to decline by 3% per year for the first ten years and 2% thereafter.

Anticipated Employer Contributions:

Basis for current year: Reflects the contribution rates in the collective bargaining/participation agreements as of the valuation year.

Basis for projection years: For purposes of testing for Endangered and Critical Status, we consider only the actual increases in the collective bargaining agreements already scheduled to take effect in future years. For purposes of testing for Critical and Declining Status, we consider the actual increases in the collective bargaining agreements already scheduled to take effect for 2018 followed by 3% increases for the subsequent 10 years with no contribution increases thereafter.



EXHIBIT IV

PENSION PROTECTION ACT OF 2006 ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Cost Method: Unit Credit Cost Method

Actuarial Asset Valuation Method: 5 Year Smoothed market value in accordance with Approval 15 of Revenue Procedure 95-51 as modified by Revenue Procedure 98-10.

Actuarial Assumptions:

Mortality:	Blue Collar RP-2014 Mortality Table with generational improvements according to Scale MP-2016.
Disability Mortality:	RP-2014 Disability Mortality Table with generational improvements according to Scale MP-2016.
Interest:	A rate of 7.5% per annum.
Retirement Age:	Various rates of retirement based on age, service, and eligibility for certain subsidized and special retirement benefit levels.
Termination:	Annual rates according to Scale T-7 adjusted higher to match plan experience for ages prior to 35.
Expenses:	An estimated amount based on the actual expenses paid in the prior plan year.
Incidence of Disability, Active Lives:	Male – 1985 Pension Disability Table Class 3 Male 2008. Female – 1985 Pension Disability Table Class 3 Female 2008.



Western Pennsylvania Teamsters and Employers Pension Fund

Demonstration of Insolvency without Proposed Suspension Projection for Plan Years beginning July 1, 2018 through December 31, 2028

Plan Year Beginning	7/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022
Plan Year Ending	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>
<u>Asset Values</u>					
1. Market Value at Beginning of Year	\$627,595,751	\$606,798,069	\$557,694,057	\$507,620,126	\$454,643,683
2. Actuarial Value at Beginning of Year	N/A	633,727,381	574,212,491	523,403,006	469,092,104
<u>Income</u>					
3. Employer Contributions	27,257,870	54,886,490	55,881,873	56,925,797	57,995,119
4. Current Withdrawal Income	4,978,114	9,990,755	9,950,755	9,950,755	9,916,843
5. Future Withdrawal Income	0	263,425	539,219	826,970	1,125,946
6. Net Investment Income	19,558,843	34,184,454	31,722,173	29,061,284	26,113,242
<u>Disbursements</u>					
7. Benefit Payments					
a. Current Retirees & Beneficiaries	66,718,612	131,656,864	127,035,872	123,635,887	120,281,313
b. Terminated Vested Participants	2,260,332	7,042,035	9,250,835	11,443,782	13,522,583
c. Current Active Participants	1,491,093	6,064,921	8,674,869	11,415,340	14,244,076
d. Future New Entrants	0	0	0	0	0
8. Administrative Expenses	2,122,474	3,665,316	3,206,375	3,246,240	3,286,405
<u>Market Value at End of Year</u> (1+3+4+5+6-7d-8)	606,798,069	557,694,057	507,620,126	454,643,683	398,460,456
<u>Available Resources</u> (1+3+4+5+6-8)	677,268,104	702,457,877	652,581,702	601,138,692	546,508,428
<u>Solvency Ratio</u>	4.81	4.85	4.50	4.10	3.69
<u>Accrued Liability</u>	N/A	1,754,810,560	1,747,191,234	1,738,000,316	1,726,840,131
<u>Funded Percentage</u>	N/A	36.11%	32.86%	30.12%	27.16%



Western Pennsylvania Teamsters and Employers Pension Fund

Demonstration of Insolvency without Proposed Suspension Projection for Plan Years beginning July 1, 2018 through December 31, 2028

Plan Year Beginning	1/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028
Plan Year Ending	<u>12/31/2023</u>	<u>12/31/2024</u>	<u>12/31/2025</u>	<u>12/31/2026</u>	<u>12/31/2027</u>	<u>12/31/2028</u>
<u>Asset Values</u>						
1. Market Value at Beginning of Year	\$398,460,456	\$338,711,128	\$275,572,716	\$208,973,576	\$138,759,844	\$65,041,640
2. Actuarial Value at Beginning of Year	409,626,760	347,785,040	282,707,896	214,337,795	142,539,061	67,441,206
<u>Income</u>						
3. Employer Contributions	59,116,902	60,293,957	61,528,637	62,827,808	64,201,625	65,643,576
4. Current Withdrawal Income	9,663,655	9,663,655	9,663,655	9,663,655	9,663,655	9,659,913
5. Future Withdrawal Income	1,437,514	1,761,907	2,099,309	2,450,266	2,815,212	3,194,384
6. Net Investment Income	22,851,297	19,257,786	15,326,460	11,040,655	6,388,615	1,872,628
<u>Disbursements</u>						
7. Benefit Payments						
a. Current Retirees & Beneficiaries	116,860,020	113,327,112	109,666,693	105,912,069	102,082,546	98,189,749
b. Terminated Vested Participants	15,505,479	17,386,057	19,199,013	20,920,189	22,403,525	23,624,116
c. Current Active Participants	17,126,375	20,009,100	22,894,135	25,831,782	28,682,338	31,298,170
d. Future New Entrants	0	26,480	50,032	84,305	130,371	193,141
8. Administrative Expenses	3,326,822	3,366,968	3,407,328	3,447,771	3,488,531	3,528,664
<u>Market Value at End of Year</u> (1+3+4+5+6-7d-8)	338,711,128	275,572,716	208,973,576	138,759,844	65,041,640	INSOLVENT
<u>Available Resources</u> (1+3+4+5+6-8)	488,203,002	426,321,465	360,783,449	228,680,381	144,475,139	63,385,604
<u>Solvency Ratio</u>	3.27	2.83	2.38	1.50	0.94	0.41
<u>Accrued Liability</u>	1,713,321,274	1,697,422,040	1,679,163,414	1,658,485,296	1,635,330,889	1,609,939,435
<u>Funded Percentage</u>	23.26%	19.95%	16.41%	12.60%	8.49%	4.04%

