

# 2013 Annual Funding Notice for Iron Workers' Locals No. 15 and 424 Pension Plan

## Introduction

This notice includes important funding information about your pension plan (the "Plan"). This notice also provides a summary of federal rules governing multiemployer plans in reorganization and insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"), a federal agency. This notice is for the plan year beginning July 1, 2013 and ending June 30, 2014 (referred to hereafter as "Plan Year").

## Funded Percentage

The funded percentage of a plan is a measure of how well that plan is funded. This percentage is obtained by dividing the plan's assets by its liabilities on the valuation date for the plan year. In general, the higher the percentage, the better funded the plan. The Plan's funded percentage for the Plan Year and two preceding plan years is set forth in the chart below, along with a statement of the value of the Plan's assets and liabilities for the same period.

	<b>2013 Plan Year</b>	<b>2012 Plan Year</b>	<b>2011 Plan Year</b>
<b>Valuation Date</b>	July 1, 2013	July 1, 2012	July 1, 2011
<b>Funded Percentage</b>	48.95%	47.79%	52.69%
<b>Value of Assets</b>	\$67,160,543	\$66,167,794	\$68,268,736
<b>Value of Liabilities</b>	\$137,203,534	\$138,441,616	\$129,568,690

The Pension Protection Act overhauled the requirements for this notice in an attempt to provide you with more useful information about the Plan's funded status.

A very notable change is that the Plan's funded ratios shown above are no longer required to be reported using the government's mandated interest rate which changes from year to year. Instead, these funded ratios are now reported using the Plan actuary's long-term assumed rate of return on Plan assets. This rate was lowered from 8.0% to 7.5% effective as of July 1, 2012. This was the primary reason that liabilities increased from July 1, 2011 to July 1, 2012 in the chart above.

## Fair Market Value of Assets

Asset values in the chart above are actuarial values, not market values. Market values tend to show a clearer picture of a plan's funded status as of a given point in time. However, because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values for funding purposes. While actuarial values fluctuate less than market values, they are calculated values, not actual values. As of June 30, 2014, the unaudited fair market value of the Plan's assets was \$64,711,631. As of June 30, 2013, the audited fair market value of the Plan's assets was \$58,982,826. As of June 30, 2012, the audited fair market value of the Plan's assets was \$56,998,719.

The June 30, 2014 fair market value of assets disclosed in the previous paragraph is reported on an unaudited basis since this notice is required to be distributed before the normal completion time of the audit which is currently in progress. The fair market values of assets reported in the previous paragraph include investments and other assets, reduced by liabilities, and are labeled as Net Assets Available for Benefits on the Plan's financial statements.

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## Participant Information

The total number of participants in the plan as of the Plan's valuation date (July 1, 2013) was 1,551. Of this number, 554 were active participants, 867 were retired or separated from service and receiving benefits, and 130 were retired or separated from service and entitled to future benefits.

## Funding & Investment Policies

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for benefits promised under the plan currently and over the years. The funding policy of the Plan is to meet the requirements of the Plan's "Rehabilitation Plan" (more on this starting on page 3) until the Plan emerges from critical status.

Once money is contributed to the Plan, the money is invested by plan officials called fiduciaries. Plan Trustees delegate this responsibility to investment managers hired with the help of the Plan's investment consultant. Specific investments are made in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries, who are responsible for plan investments, with guidelines or general instructions concerning various types or categories of investment management decisions. The investment policy of the Plan is designed to achieve a 7.5% return (net of fees), while maintaining sufficient diversification and reasonable risk levels.

According to its investment policy as of June 30, 2014, the Plan's target asset allocation is as follows:

<u>ASSET CLASS</u>	<u>TARGET %</u>	<u>PERMISSIBLE RANGE %</u>	<u>TARGET BENCHMARK</u>
<b>Equity</b>	<b>30</b>	<b>24 – 36</b>	
US Large Cap	12	7 – 17	S&P 500
US Small/SMid Cap	5	3 – 7	50% Russell 2000/50% Russell 2500
International Developed	8	5 – 11	MSCI EAFE
Emerging Market	5	3 – 7	MSCI EM
<b>Fixed Income</b>	<b>21</b>	<b>16 – 26</b>	
Core Fixed Income	11	7 – 15	Barclays Capital U.S. Aggregate
Global Multi-Sector Fixed Income	10	6 – 14	Barclays Capital U.S. Aggregate
<b>Alternatives</b>	<b>49</b>	<b>40 – 58</b>	
Hedge Fund of Funds	14	10 – 18	90-Day T-Bill+3%/ HFRI Fund of Funds
Global Asset Allocation	15	10 – 20	60% MSCI World/ 40% Citi WGBI
Risk Parity	15	10 – 20	60% MSCI World/ 40% Citi WGBI
Real Estate	5	3 – 7	NCREIF Open-End

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In accordance with the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets and subject to change when the Plan Year audit is complete:

Asset Allocations	Percentage
1. Interest-bearing cash	1%
2. U.S. Government securities	2%
3. Corporate debt instruments (other than employer securities):	
Preferred	_____
All other	_____
4. Corporate stocks (other than employer securities):	
Preferred	_____
Common	15%
5. Partnership/joint venture interests	_____
6. Real estate (other than employer real property)	_____
7. Loans (other than to participants)	_____
8. Participant loans	_____
9. Value of interest in common/collective trusts	8%
10. Value of interest in pooled separate accounts	3%
11. Value of interest in master trust investment accounts	_____
12. Value of interest in 103-12 investment entities	_____
13. Value of interest in registered investment companies (e.g., mutual funds)	32%
14. Value of funds held in insurance co. general account (unallocated contracts)	1%
15. Employer-related investments:	
Employer Securities	_____
Employer real property	_____
16. Buildings and other property used in plan operation	_____
17. Other	38%

For information about the plan's investment in any of the following types of investments as described in the chart above – common/collective trusts, pooled separate accounts, master trust investment accounts, or 103-12 investment entities – contact Susan Henderson, Fund Administrator, by telephone at (800) 982-3709 (toll free) or (203) 238-1204 or by fax at (203) 639-0815, 321 Research Parkway, P.O. Box 762, Meriden, CT 06450.

### Critical or Endangered Status

Under federal pension law a plan generally will be considered to be in "endangered" status if, at the beginning of the plan year, the funded percentage of the plan is less than 80 percent or in "critical" status if the percentage is less than 65 percent (other factors may also apply). If a pension plan enters endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status, the trustees of the plan are required to adopt a rehabilitation plan. Rehabilitation and funding improvement plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time.

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The Plan was in "critical" status in the 2013 Plan Year because the funded percentage of the Plan was less than 65 percent and there was a deficiency in the Funding Standard Account. In an effort to improve the Plan's funding situation, which has been "critical" since the 2008 Plan Year, the Plan's Trustees initially adopted a Rehabilitation Plan on October 21, 2008 (known as the "Initial Rehab Plan"). The Rehabilitation Period is the 13-year period beginning July 1, 2011. At the time the Initial Rehab Plan was adopted, the Plan was projected to emerge from "critical" status by June 30, 2021 based on the two Schedules included in the Initial Rehab Plan. The collective bargaining parties implemented the "Preferred Schedule" of the Initial Rehab Plan, which called for a \$0.15 increase in the hourly contribution rate, and the Plan's Trustees implemented these changes:

- For early retirement benefits, an increase in the reduction factors to 6% for each year retiring before Normal Retirement Age for all years of service, effective for retirements on or after February 1, 2009; and
- For disability benefits, an increase in the reduction factors to 3% for each year retiring before Normal Retirement Age for all years of service (with a maximum reduction of 50%), effective for Occupational Disability Pension retirements on or after February 1, 2009.

The collective bargaining parties also agreed to an additional increase to the contribution rate of \$0.75 per hour effective June 28, 2010.

During the annual review of the Initial Rehab Plan for the plan year ended June 30, 2011, the Plan's Trustees agreed to accept the Plan's actuary's recommendation to elect funding relief in order to spread out investment losses the Plan's trust fund experienced in the plan year ended June 30, 2009, and did so on March 3, 2011. After the Initial Rehab Plan was reviewed, the Plan was projected to emerge from "critical" status on or before June 30, 2024, the end of the Rehabilitation Period.

The collective bargaining parties then agreed to an additional increase to the contribution rate of \$1.50 per hour effective March 4, 2013.

The Plan's Trustees continued to review the Rehab Plan and formally updated it on May 21, 2013 (known as the "Updated Rehab Plan") based on the Plan actuary's recommendation. The purpose of the Updated Rehab Plan was to ensure the Plan was still projected to emerge from "critical" status on or before June 30, 2024, and the Plan's Trustees included two new Schedules in the Updated Rehab Plan, the "Preferred Schedule" and the "Default Schedule." With respect to the Updated Rehab Plan, the collective bargaining parties: (1) implemented a \$0.50 increase in the hourly contribution rate effective as of July 1, 2013, and (2) implemented the "Preferred Schedule" of the Updated Rehab Plan, in that they increased the hourly contribution rate in the current collective bargaining agreement (for the period June 30, 2014 through June 29, 2018) by a total of \$0.90 over such agreement's cycle, specifically a \$0.30 increase as of June 30, 2014, another \$0.30 increase as of June 29, 2015, and another \$0.30 increase as of June 27, 2016. In addition, the Plan's Trustees implemented this change:

- For early retirement benefits, an increase in the reduction factors to 7% (from 6%) for each year retiring before Normal Retirement Age for all years of service, effective for retirements on or after July 1, 2013.

The Plan's Trustees will review the Updated Rehab Plan and further update it in the future as appropriate and required by law.

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You may obtain a copy of the Plan's Rehab Plan (whether the Initial or Updated), and the actuarial and financial data that demonstrate any action taken by the Plan toward fiscal improvement by contacting the Fund Administrator.

### Events with Material Effect on Assets or Liabilities

Federal law requires trustees to provide in this notice a written explanation of events, taking effect in the current plan year, which are expected to have a material effect on plan liabilities or assets. In the plan year that began on July 1, 2014 and ends on June 30, 2015, there are no Plan amendments taking effect, scheduled benefit increases or reductions taking effect, or other known event taking effect, which will have a material effect on plan liabilities and assets for that year.

### Right to Request a Copy of the Annual Report

A pension plan is required to file with the US Department of Labor an annual report (i.e., Form 5500) containing financial and other information about the plan. Copies of the annual report are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling (202) 693-8673. Or you may obtain a copy of the Plan's annual report by making a written request to the Fund Administrator.

### Summary of Rules Governing Plans in Reorganization and Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans. Under so-called "plan reorganization rules," a plan with adverse financial experience may need to increase required contributions and may, under certain circumstances, reduce benefits that are not eligible for the PBGC's guarantee (generally, benefits that have been in effect for less than 60 months). If a plan is in reorganization status, it must provide notification that the plan is in reorganization status and that, if contributions are not increased, accrued benefits under the plan may be reduced or an excise tax may be imposed (or both). The law requires the plan to furnish this notification to each contributing employer and the labor organization.

Despite the special plan reorganization rules, a plan in reorganization nevertheless could become insolvent. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for the plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available financial resources while still complying with applicable law. If such resources are not enough to pay benefits at a level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC, by law, will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notification of the insolvency to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected as a result of the insolvency, including loss of a lump sum option. This information will be provided for each year the plan is insolvent.

### Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only vested benefits are guaranteed. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first \$11 of the Plan's

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monthly benefit accrual rate, plus 75 percent of the next \$33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is \$35.75 per month times a participant's years of credited service.

*Example 1: If a participant with 10 years of credited service has an accrued monthly benefit of \$500, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ( $\$500/10$ ), which equals \$50. The guaranteed amount for a \$50 monthly accrual rate is equal to the sum of \$11 plus \$24.75 ( $.75 \times \$33$ ), or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 ( $\$35.75 \times 10$ ).*

*Example 2: If the participant in Example 1 has an accrued monthly benefit of \$200, the accrual rate for purposes of determining the guarantee would be \$20 (or  $\$200/10$ ). The guaranteed amount for a \$20 monthly accrual rate is equal to the sum of \$11 plus \$6.75 ( $.75 \times \$9$ ), or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 ( $\$17.75 \times 10$ ).*

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the plan within 60 months before the earlier of the plan's termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

### Where to Get More Information

For more information about this notice, you may contact:

Susan Henderson, Fund Administrator  
Iron Workers' Locals No. 15 and 424 Pension Fund  
321 Research Parkway  
P.O. Box 762  
Meriden, CT 06450

(800) 982-3709 (toll free) or (203) 238-1204

For identification purposes, the official plan number is 001 and the plan sponsor's employer identification number or "EIN" is 06-6077019. For more information about the PBGC and benefit guarantees, go to PBGC's website, [www.pbgc.gov](http://www.pbgc.gov), or call PBGC toll-free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).