

PLUMBERS, PIPE FITTERS & MECHANICAL EQUIPMENT SERVICE
LOCAL UNION NO. 392 PENSION PLAN
2021 NOTICE OF CRITICAL STATUS
September 2021

On August 27, 2021 the actuary for the Plumbers, Pipe Fitters & Mechanical Equipment Service Local Union No. 392 Pension Plan (“Plan”) certified to the U.S. Department of the Treasury and the Plan Sponsor (“Board of Trustees”) that the Plan will be in critical status for the 2021 Plan Year. The 2021 Plan Year began on June 1, 2021 and will end on May 31, 2022. Federal law requires that you receive this Notice.

Critical Status

The Plan is considered to be in critical status because it has funding or liquidity problems, or both. The 2009 Plan Year was the first year that the Plan was certified as being in critical status. The Plan continues to be in critical status for the 2021 Plan Year because the Plan’s actuary has determined that the Plan has not passed the “Emergence Test” that would enable it to come out of critical status. In order to pass this test, the Plan’s actuary must certify that the Plan is not projected to have an accumulated funding deficiency for the current Plan Year or any of the nine succeeding Plan Years.

On October 1, 2009, the Board of Trustees adopted a rehabilitation plan that has been ratified by the bargaining parties as required by the *Pension Protection Act of 2006* (PPA). The rehabilitation plan has been updated annually to reflect Plan experience. The Plan’s actuary has certified that the Plan is making scheduled progress in meeting the requirements of its rehabilitation plan.

Rehabilitation Plan

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at improving the Plan’s funded percentage. A rehabilitation plan may include: (1) the reduction or even the elimination of future benefit accruals, (2) the reduction or elimination of “adjustable benefits”, and/or (3) increases in the hourly contribution rate. Federal law also prohibits plans in critical status from paying “restricted benefits”, such as lump sum benefits or any other payment in excess of the monthly amount paid under a Single Life Annuity.

In an effort to improve the Plan’s funding situation, the Board of Trustees adopted a rehabilitation plan that includes changes to the Plan’s Early Retirement and Disability Benefits, the Joint & Survivor Annuity options, the Qualified Pre-Retirement Survivor Annuity, Death Benefits, and the Suspension of Benefit Rules. It also includes the elimination of the Retirement Incentive Benefit (RIB) and, on and after September 25, 2009, the Plan is not permitted to pay lump sum benefits (or any other payment in excess of the monthly amount paid under a single life annuity) while it is in critical status. In addition, the Plan’s rehabilitation plan calls for scheduled increases in the hourly contribution rate.

The rehabilitation plan will be reviewed annually with the Plan’s actuary and other professionals, and it may be amended to include additional benefit reductions and/or contribution rate increases based upon such review. You can request a copy of the Plan’s rehabilitation plan and the actuarial and financial data that demonstrates any action taken by the Plan toward fiscal improvement by contacting the Plan administrator.

Endangered, Critical, or Critical and Declining Status

Under federal pension law, a plan generally is in "endangered" status if its funded percentage is less than 80 percent. A plan is in "critical" status if the funded percentage is less than 65 percent (other factors may also apply). A plan is in "critical and declining" status if it is in critical status and is projected to run out of the money needed to pay benefits within 15 years, or within 20 years if a special rule applies.

If a pension plan enters endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a plan enters critical status or critical and declining status, the trustees of the plan are required to adopt a rehabilitation plan. Funding improvement and rehabilitation plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time. The plan sponsor of a plan in critical and declining status may apply for approval to amend the plan to reduce current and future payment obligations to participants and beneficiaries.

The Plan was certified as being in critical status for the 2020 Plan Year. The 2009 Plan Year was the first year that the Plan was certified to be in critical status. The Plan continued to be in critical status because the Plan's actuary has determined that the Plan has not passed the "Emergence Test" that would enable it to come out of critical status. In order to pass this test, the actuary must certify that the Plan is not projected to have an accumulated funding deficiency for the current Plan Year or any of the nine succeeding Plan Years.

In an effort to improve the Plan's funding situation, the Board of Trustees adopted a rehabilitation plan that includes changes to the Plan's Early Retirement and Disability Benefits, the Joint & Survivor Annuity options, the Qualified Pre-Retirement Survivor Annuity, Death Benefits, and the Suspension of Benefit Rules. It also includes the elimination of the Retirement Incentive Benefit (RIB) and, on and after September 25, 2009, the Plan is not permitted to pay lump sum benefits (or any other payment in excess of the monthly amount paid under a single life annuity) while it is in critical status. In addition, the rehabilitation plan calls for scheduled increases in the Plan's hourly contribution rate.

You can request a copy of the Plan's rehabilitation plan, any updates to such plan, and the actuarial and financial data that demonstrate any action taken by the Plan toward fiscal improvement by contacting the Plan Administrator. If the Board of Trustees determines that any additional benefit reductions are necessary, you will receive a separate notice in the future explaining the effect of those reductions.

If the Plan is in endangered, critical, or critical and declining status for the 2021 Plan Year, separate notification of that status has or will be provided to you.

Participant Information

The total number of participants and beneficiaries covered by the Plan on the June 1, 2020 valuation date was 3,373. Of this number, 1,512 were current employees, 1,329 were retired and receiving benefits from the Plan, and 532 were retired or no longer working for an employer and have the right to future benefits.