

# THE BRICKLAYERS AND STONE MASONS UNION

## LOCAL NO. 2 PENSION PLAN

Fund Office: GEMGroup, Administrator, The Constellation Centre One, 6009 Oxon Hill Road, Suite 416, Oxon Hill, MD 20745  
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This is to inform you that on July 29, 2016 the plan actuary certified to the U.S. Department of the Treasury, and also to the plan sponsor, that the plan is in critical and declining status for the plan year beginning May 1, 2016. Federal law requires that you receive this notice.

### Critical and Declining Status

The plan is considered to be in critical and declining status because it has funding or liquidity problems, or both. More specifically, the plan's actuary determined that the plan is projected to have an accumulated funding deficiency for the current plan year and to be insolvent for the 2031-2032 plan year.

### Rehabilitation Plan and Possibility of Reduction in Benefits

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. This is the ninth year the plan has been in critical status. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. On August 28, 2008 you were notified that as of August 28, 2008 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. There was no reduction in benefits made as part of the rehabilitation plan adopted by the Trustees on July 31, 2008. The rehabilitation period is the thirteen year period that begins May 1, 2010. Effective November 1, 2010, the benefit rate for Future Service Accruals was reduced from \$62.00 to \$20.00 per month per year of service. In addition, effective July 1, 2010 the age requirement for early retirement was changed from age 55 to age 58, and the early retirement reduction for commencement ages below age 62 was changed from  $\frac{1}{4}$  of 1 per cent to  $\frac{1}{2}$  of 1 per cent for each month that the retirement age is less than age 62 for employees with service after April 30, 1991. If the trustees of the plan determine that further benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Under prior law, any reduction of adjustable benefits (other than a repeal of a recent benefit increase, as described below) would not reduce the level of a participant's basic benefit payable at normal retirement. In addition, the reductions would only apply to participants and beneficiaries whose benefit commencement date is on or after 30 days from the date of the change. However, under a recent Federal law, the Multiemployer Pension Reform Act (MPRA), such reductions may be made.

Based on reasonable actuarial assumptions and upon exhaustion of all reasonable measures, the Pension Fund cannot reasonably be expected to emerge from critical status, and the rehabilitation plan was revised and updated to forestall possible insolvency.

It was determined that with the changes to the benefits in the Plan, coupled with the Fund's investment performance, that the Plan made its scheduled progress under the rehabilitation plan.

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## Adjustable Benefits

The plan offers the following adjustable benefits which may be reduced or eliminated as part of any rehabilitation plan the pension plan may adopt:

- Post-retirement death benefits;
  - 120-month payment guarantees;
  - Disability benefits (if not yet in pay status);
  - Early retirement benefit or retirement-type subsidy;
  - Benefit payment options other than a qualified joint-and survivor annuity (QJSA);
  - Recent benefit increases (i.e, occurring in past 5 years);
  - Other similar benefits, rights, or features under the plan {provide identification}
- Pre-Retirement Death Benefit to Dependent Children
- Automatic Pop-up Benefit under QJSA
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## Benefit Suspension

Under the MPRA pension plans in critical and declining status are allowed to temporarily or permanently reduce benefits. Any suspension of benefits must reasonably result in the plan returning to solvency. Benefits cannot be reduced below 110% of the benefit guaranteed by the Pension Benefit Guaranty Corporation. Disabled participants and retirees over 80 are exempted from benefit reductions, and retirees age 75 to 79 are partially exempted. In general, benefit suspensions must be equitably distributed among participants and beneficiaries, including current retirees.

## Employer Surcharge

The law requires that all contributing employers pay to the plan a surcharge to help correct the plan's financial situation. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the plan under the applicable collective bargaining agreement. With some exceptions, a 5% surcharge is applicable in the initial critical year and a 10% surcharge is applicable for each succeeding plan year thereafter in which the plan is in critical status. The required employer surcharge did not need to be implemented as the adoption of the Rehabilitation Plan provided for increases to employer hourly contribution rates in lieu of the surcharge.

## Where to Get More Information

For more information about this Notice, you may contact Bricklayers and Stonemasons Union No. 2 Pension Fund of Virginia at (301) 839-8800, c/o GemGroup, 6009 Oxon Hill Road, Suite 416, Oxon Hill, Maryland 20745. You have a right to receive a copy of the rehabilitation plan from the Fund Office.