

PLUMBERS AND PIPEFITTERS LOCAL UNION NO. 333

FRINGE BENEFIT FUNDS

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October 24, 2012

NOTICE OF PENSION PLAN STATUS FOR THE PLAN YEAR BEGINNING JULY 1, 2012 EIN 38-3545518 PN 005

To: All Participants and Beneficiaries of the Plumbers and Pipefitters Local No. 333, Contributing Employers and Employer Associations, Pension Benefit Guaranty Corporation and Secretary of Labor.

As required by law, this notice is being provided to you to update you on the funding status of the Plumbers and Pipefitters Local No. 333 Pension Plan ("the Plan"). The Plan's actuary has certified that the Plan is in "endangered" status (so called, "yellow zone") for the plan year beginning July 1, 2012, as explained below.

- **Plan's Funding Status**

The Pension Protection Act ("PPA") imposed new funding requirements upon multiemployer pension plans like yours, to ensure that they are well-funded in future years. Each plan is required to conduct an annual study to determine the plan's funding level. Unless the plan is extremely well-funded (80% or better), it is required to adopt a process to improve its funding level – so called Funding Improvement Plan.

The determination that the Plan is in the yellow zone was made by the actuary, for two reasons:

(1) *The Plan had a funded percentage less than 80%, specifically the Plan's funded percentage was 68.97%. This percentage is calculated by comparing the Plan's assets to the present value of the Plan's accrued benefit liabilities to participants and beneficiaries, as of June 30, 2012. Valuations of the Plan's benefit liabilities are made using various actuarial assumptions, developed by the actuary, and will be done on an annual basis going forward; and*

(2) *The Plan is not projected to have an accumulated funding deficiency in the current plan year, or within the next six plan years. Therefore, the Plan passes the solvency test and is not in critical status.*

- **Adoption of Funding Improvement Plan**

As a result of its initial endangered certification in 2008, a Funding Improvement Plan, designed to restore the financial health of the plan, over a 10 year period was adopted by the Plan on December 18, 2008. The Funding Improvement Plan requires increased employer contributions together with uncredited contributions. At the end of the Funding Improvement Plan the Plan is expected to have attained healthy status. The Plan's Trustees and consultants are required to review the Funding Improvement Plan each year to be sure that it meets or exceeds the required benchmarks.

- **Operational Restrictions During Funding Improvement Period**

During the funding improvement period, the Plan is also subject to a number of legal restrictions and rules. During this time, employer contribution rates cannot be lowered, or suspended, and young or new employees cannot be excluded from participating in the Plan. The Plan is also generally prohibited from increasing benefit rates during this time.

- **Where to Get More Information**

For more information about this Notice, you may contact the Plan at 248-641-4933 or 1-800-550-5242. You have the right to receive a copy of the Funding Improvement Plan from the administrator. The Department of Labor also publishes information regarding this process at: <http://www.dol.gov/ebsa/criticalstatusnotices.html>.

- **Frequently Asked Questions**

Q1 Why did I receive this notice?

The PPA, became effective in 2008 and requires you to receive this notice. The PPA also requires that the Plan adopt certain procedures to improve its funding condition to ensure that the financial health of the plan is restored.

Q2 Why is this process necessary?

The PPA established rules that now require faster funding of plans than under prior law. Like most pension plans, the Plan's returns were less than anticipated during the general downturn of the stock market of the last decade. In something of a perfect storm, the funding level was further eroded due to the downturn in Michigan's economy, which adversely affected the Plan's work hours.

Q3 What is the Funding Improvement Plan?

The Funding Improvement Plan contains legally mandated schedules, designed to improve the funded percentage of the Plan. Ideally, improvements will be made by using a combination of "uncredited" contributions, i.e. those for which no benefit is provided, and Plan earnings.

Q4 What does funded percentage mean?

The calculations mentioned in this notice compare the cost of providing promised pension benefits to you and other participants, versus the current actuarial value of the assets held by the Plan. Based on past experience, the Plan compares the actuarial value of assets to the amount it will be required to pay for retirement benefits in the future. The result is the funded percentage that is used for compliance with the PPA.

Q5 Will my benefits be reduced?

The amount of your earned retirement benefits will **not** change. No benefit reductions are contemplated by the Funding Improvement Plan. In fact, the very reason that your Plan is required to adopt a Funding Improvement Plan is to prevent that from happening.

Q6 What has the Plan done to improve the situation?

The Plan has allocated uncredited contributions (contributions for which no benefits accrue) to improve the Plan's funding over the course of the last few years and has been able to avoid additional declines of the Plan's funded percentage. The Plan, as always, is also working with its investment advisors to place Plan assets in investment vehicles with good returns, at the lowest risk possible.