INTERNATIONAL ASSOCIATION OF HEAT and FROST INSULATORS and ALLIED WORKERS LOCAL NO. 81 BENEFIT FUNDS

EBSA/PUBLIC DISCLOSURE
2009 SEP -2 AM 7:21

August 27, 2009

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: U. S. Department of Labor
Employee Benefits Security Administration
Public Disclosure Room, N-1513
200 Constitution Ave., NW
Washington, DC 20210 also sent to criticalstatusnotice@dol.gov
And

Multiemployer Program Division
Pension Benefit Guaranty Corporation
1200 K Street, NW Suite 930
Washington, DC 20005 also sent to multiemployerprogram@pbgc.gov

From: Tim Kearns, Heat & Frost Insulators and Allied Workers Local #81Pension Plan Administrator

Re: Local #81 Pension Plan

As required under the Pension Protection Act (PPA), we are providing to you the following documents:

- Notice of Critical Status

1700 - 52nd Avenue, Suite B • Moline, Illinois 61265 • Phone (309) 764-8080 • Fax (309) 764-3438

International Association of Heat & Frost Insulators & Allied Workers
Local No. 81 Pension Plan

Notice of Critical Status for 2009
Notice of Election for 3-year Extension of Rehabilitation Period for 2009 - Section 205 of WRERA

This is to inform you that on July 29, 2009 the plan actuary certified to the U.S. Department of Treasury, and also to the plan sponsor, that the plan is in critical status for the plan year beginning May 1, 2009. Federal law requires that you receive this notice.

Critical Status

The plan is in critical status because it is *projected* to have funding problems.

More specifically, the plan's actuary projects that, if no further action is taken, the plan will have an accumulated funding deficiency for the plan year ending April 30, 2013. Note, "accumulated funding deficiency" means that contributions would be insufficient to satisfy Federal requirements; it does not mean that the plan would be insolvent and forced to seek relief from the government's insurance plan, the Pension Benefit Guaranty Corporation.

Rehabilitation Plan and Possibility of Reduction in Benefits

The Federal law known as the Pension Protection Act of 2006 (PPA) requires that pension plans in critical status adopt a rehabilitation plan aimed at restoring the financial health of the plan, through changes in contribution rates, or benefits, or both. This is the first year the plan has been in critical status. The rehabilitation plan adopted for the plan year beginning May 1, 2009 allows the rehabilitation period to begin on May 1, 2012 and end on April 30, 2025 under the special trustee election, as explained below. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. The Trustees have adopted a rehabilitation plan that includes increases in the plan's hourly contribution rate for the plan year beginning May 1, 2009 in the preferred schedule and the default schedule, both of which will be provided to the bargaining parties to negotiate. The *default schedule* in the adopted rehabilitation plan for the plan year beginning May 1, 2009 does not reduce or eliminate adjustable benefits immediately, but does so beginning May 1, 2010. The preferred schedule does not reduce or eliminate adjustable benefits. However, the Trustees strongly recommend that the bargaining parties adopt the *preferred schedule* of contribution increases as this is the only option that will allow participants to maintain the current level of benefits.

If the Trustees of the plan determine for any reason that benefit reductions of the plan are necessary (including the failure of the bargaining parties to adopt the preferred schedule), you will receive a separate notice in the future identifying and explaining the effect of those reductions. Any reduction of adjustable benefits will not reduce the level of a participant's basic benefit payable at normal retirement. In addition, most reductions may only apply to participants and beneficiaries who have not yet retired. But you should know that whether or not the plan reduces adjustable benefits in the future, beginning August 28, 2009, the plan is not permitted to pay lump sum benefits while it is in critical status.

Adjustable Benefits

The plan's adjustable benefits include the following:

- Post-retirement death benefits;
- Disability benefits (if not yet in pay status);
- Early retirement benefit or retirement-type subsidy;
- Death benefit payment options other than a qualified joint and survivor annuity (QJSA); and
- Benefit increases made within the last 60 months.

Special Trustee Election

Section 205 of the Worker, Retiree, and Employer Recovery Act (referred to above as WRERA) allows pension plans a three-year extension of their rehabilitation plan period. By electing this option, the plan will have a longer period in which to recover.

Future Experience and Possible Adjustments

A rehabilitation plan is based on a number of assumptions about future experience and may need to be adjusted in the future if such assumptions are not met. Additional contribution rate increases and/or reductions in the rate at which benefits are earned may be needed if the plan were to suffer investment returns below the expected 7.25% (in any plan year after May 1, 2009), a drop in the hours worked, or poor experience from other sources. If, at some point in time, the Trustees determine that further adjustments are necessary, you will receive a separate notice identifying and explaining the effect of those changes.

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 automatic 5% surcharge will be effective 30 days after the contributing employers have been notified by the trustees that the plan is in critical status and the surcharge is in effect (or beginning September 27, 2009). However, the surcharge is not required of contributing employers if the bargaining parties have adopted either the preferred schedule or default schedule with terms consistent with the rehabilitation plan.

Where to Get More Information

You have a right to receive a copy of the rehabilitation plan once it has been formally approved by the bargaining parties. It should be completed before the end of September 2009. To receive a copy, you may contact the Benefit Office, c/o RJLee & Associates, LLP, at 1700 52nd Avenue, Suite B, Moline, IL 61265-6378 or by telephone at (309) 764-8080. Additional information about the PPA, WRERA and related matters may be found at www.irs.gov by typing in Pension Protection Act in the search area.