LABORERS' INTERNATIONAL UNION OF NORTH AMERICA
NATIONAL (INDUSTRIAL) PENSION FUND

Via Certified Mail

April 20, 2018

U.S. Department of Labor
Employee Benefits Security Administration
Public Disclosure Room, N-1513
200 Constitution Avenue, NW
Washington, D.C. 20210

RE: Notice of Continuation of “Critical Status” for Plan Number 001 and EIN 52-6074345

To Whom It May Concern:

Please find enclosed the Notice of Continuation of “Critical Status” within the meaning of the Pension Protection Act of 2006 that the Pension Fund is required to provide to parties who participate in the LIUNA National (Industrial) Pension. The notice will be sent by April 30, 2018.

Sincerely,

ADAM M. DOWNS
Fund Administrator

Enclosure

www.lnipf.com
LABORERS’ NATIONAL (INDUSTRIAL) PENSION FUND
905 16th Street, NW
Washington, DC 20006

April 2018

NOTICE OF CONTINUATION OF “CRITICAL STATUS”
WITHIN THE MEANING OF THE PENSION PROTECTION ACT OF 2006

To: All Participants, Beneficiaries in Pay Status, Participating Unions, and Contributing Employers

This Notice is required by the Pension Protection Act of 2006 (PPA) to inform you that the Pension Fund’s actuary has completed its annual certification of the Pension Fund’s funding zone status and has determined that the Fund’s funding status remains in the “critical” (“red”) zone for 2018, as expected under the Fund’s “Funding Rehabilitation Plan” (FRP). In accordance with the PPA, the actuary submitted a certification of the Fund’s red zone status to the U.S. Department of the Treasury on March 30, 2018.

This does not mean that the Fund is terminating. It does not mean that the Fund is insolvent and unable to pay promised benefits. In fact, the Fund continues to pay all benefits due on time and in full, and the Fund’s status is better at this time than planned when the FRP was adopted in July 2010.

The Pension Fund was previously determined to be in the red zone for 2010 because the actuary projected that the Fund would have an “accumulated funding deficiency” under PPA standards unless significant changes were made to improve the Fund’s funding over a period of years.

Funding Rehabilitation Plan

On July 26, 2010, the Board of Trustees adopted the FRP to significantly improve the Fund's long-term financial condition over a rehabilitation period of 10-12 years. To do so, the FRP increased the Fund’s income and reduced the Fund’s liabilities in a balanced, shared sacrifice manner.

As expected when the FRP was adopted, the Fund remains in the red zone for 2018. However, the funding situation is improving faster than expected in 2010. To exit the red zone under the PPA’s tougher funding standards, the Fund must be projected to have no funding deficiency within the next 10 years. The Fund has that goal in sight.

To review, the FRP requires the parties to each collective bargaining agreement to adopt one or the other of two “Schedules”: a Preferred Schedule or a Default Schedule within a certain period that is determined by the expiration date of their collective bargaining agreements. The bargaining parties can wait until negotiations on a new collective bargaining agreement to agree on a Schedule, or they can re-open their current agreement to incorporate a Schedule. The law requires the Fund to impose the Default Schedule after the current agreement expires if the parties are unable to agree.

The Preferred Schedule requires employer contribution rate increases of 10% per year for 9 years and maintains benefits for participants covered by this Schedule. Originally the Preferred Schedule required 10 years of contribution rate increases, but the Board of Trustees was able to reduce the number of increases to 9 because the FRP was ahead of schedule. The Default Schedule requires employer contribution rate increases of 8% per year for 10 years and reduces benefits and benefit options for participants covered by this Schedule (see “Adjustable Benefits”, below).

The Board of Trustees is required by law to annually assess whether the Pension Fund is recovering its financial health under the FRP and is on track to exit the red zone status within the permitted rehabilitation period. The Board has determined that the FRP remains well on track.
However, we must candidly state that adjustments to the FRP might become necessary or appropriate if circumstances beyond the Fund's control develop, such as another investment markets crisis.

**No Additional Changes in “Adjustable Benefits”**
**For Participants Covered By the Default Schedule**

The law authorized the Board of Trustees to include in the FRP changes in so-called "adjustable benefits" and reductions in future benefit accruals. Under the FRP, Under the law, a rehabilitation plan could include contribution rate requirements and revision adjustable benefits are reduced for participants covered by the Default Schedule. For active participants covered by the Default Schedule, future benefit accruals are reduced. No reductions in adjustable benefits or reductions in benefit accrual rates are included in the Preferred Schedule, although accrual rates are fixed despite increases in contribution rates.

No change in adjustable benefits reduce any participant’s accrued benefit payable at Normal Retirement Age. Further, no reduction in adjustable benefits have been applied to any pensioner or beneficiary whose benefits began (benefit commencement date) before April 30, 2010.

The adjustable benefits eliminated under the Default Schedule are:

- 60-months of benefits guarantee
- Disability Pension
- Early Retirement Pension (with subsidized benefit) and similar retirement-type subsidies
- Various pension benefit payment options (except for the 50% Participant: and Spouse Pension)

Every reasonable effort has been made to send a notice of the benefit adjustments to each participant covered by the Default Schedule at least 30 days in advance of the application of the adjustment to him or her.

**Lump Sum Payment Restrictions**

Effective April 30, 2010 and until the Pension Fund emerges from red zone status, the Pension Fund is not permitted by the PPA to pay any lump sum benefits or pay any other benefit in excess of the monthly amount that would be payable to the pensioner under a single life annuity. This means that the Fund has been required to suspend its Partial Lump Sum option, Social Security level income option, and Widow/Widower Lump Sum option. Exceptions are made for a lump sum cash-out of a participant or beneficiary whose entire benefit entitlement has an actuarial value that does not exceed $5,000 and the $5,000 death benefit.

**Temporary, Employer Contribution Surcharge**

The PPA requires the Pension Fund to impose on each employer a contribution surcharge until such time as the employer and the union that are parties to the collective bargaining agreement adopt a Schedule or a Schedule is imposed by law. In effect, the surcharge is a temporary tax.

For work performed (or compensation paid) during the period June 1, 2010 through December 31, 2010, the surcharge amount was 5% of total contributions owed each month. Effective January 1, 2011, the surcharge rate increased to 10%, as mandated by the PPA.

The surcharge is based on the total amount of contributions owed to the Pension Fund for a month, and is payable at the same time as the employer’s regular monthly contributions.

Non-payment of the surcharge by an employer is treated as a violation of federal law and as a delinquent contribution that is subject to interest charges and the Fund’s contribution collection rules. In addition, a delinquent employer may be required by law to pay a 100% excise tax to the Internal Revenue Service.
In fact, less than 1% of contributing employers have failed to agree to a Schedule and are subject to the surcharge at this point.

**Contribution Rate Reductions Prohibited**

The PPA and the FRP prohibit the Pension Fund from accepting collective bargaining agreements or participation agreements that provide for (a) a reduction in the contribution rate in effect under previous agreements, (b) a suspension of contributions for any period, or (c) any new exclusion of younger or newly hired employees from Fund coverage. Congress considered such changes to be detrimental to a multiemployer pension plan’s funding improvement program.

**More Information Needed?**

For more information about this Notice, you may contact Fund Administrator Adam Downs, LIUNA National (Industrial) Pension Fund, 905 16th Street, N.W., Washington, D.C. 20006. The Pension Fund’s office telephone number is (202) 737-1664. The Fund office’s business hours are 8:30 A.M. to 4:15 P.M. (Eastern Time), Monday through Friday. The FRP is available at www.hnpf.com or you may obtain a copy of the FRP upon request. For identification purposes, the Plan Number is 001 and the Plan Sponsor’s EIN is 52-6074345.

cc: U.S. Department of Labor
    Pension Benefit Guaranty Corporation