

# **SOUTH FLORIDA ELECTRICAL WORKERS PENSION PLAN AND TRUST**

Southwest Service Administrators, Inc.

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## **Notice of Critical Status for the 2018 Plan Year South Florida Electrical Workers Pension Plan (“Plan”)**

**EIN: 596230530**

**Plan Number: 001**

Date: April 13, 2018

From: Board of Trustees

To: All Participants, Beneficiaries, Participating Unions and Contributing Employers

Under the Pension Protection Act of 2006 (PPA), the Pension Fund’s actuary is required to make a determination of the Fund’s financial status every plan year and certify that status to the IRS and the Trustees. If the Fund’s status is either “endangered” (Yellow Zone) or “critical” (Red Zone), the Trustees must notify all plan participants, employers and other stakeholders and take corrective action to ensure the financial health of the Fund.

### **Red Zone Status**

For the Plan Year beginning January 1, 2018, the Plan is projected to have an accumulated funding deficiency within four years, **meaning Plan contributions are projected to be below the IRS mandated minimum contribution amount.** Completion of the **already adopted** rehabilitation plan **requiring higher contribution rates to the Plan** will rectify this situation in the coming years. **(This is a technical ERISA issue; THE FUND IS IN NO DANGER OF RUNNING SHORT OF MONEY IN THIS PERIOD.)**

As a result, the Plan was categorized by the Plan’s actuary as being in critical status (Red Zone) for the 2018 Plan Year, and a certification of this fact was provided to the IRS on March 30, 2018. Red Zone status represents an early warning to focus on adjusting plan income and liabilities to assure all ERISA standards are met.

### **Rehabilitation Plan**

Federal law requires the Trustees to adopt a Rehabilitation Plan designed to ensure the financial health of the Plan. The Rehabilitation Plan was adopted by the Board of Trustees on May 30, 2014. In accordance with the Internal Revenue Code, on November 14, 2014, a Notice of Adjustment to Benefits Due to Critical Status was sent to you explaining the changes to the Plan as mandated under the Rehabilitation Plan. These changes generally apply to participants whose benefit commencement date is on or after January 1, 2015. The changes include modifying early retirement eligibility, removing early retirement subsidies for participants not yet in pay status, providing reductions in benefit for active participants who elect to retire under the 100% joint and survivor form of payment who have less than 30 years of service as well as all terminated vested participants who elect this form of payment. In addition, effective April 30, 2014, all lump-sum benefits, including the pre-retirement lump sum death benefit and the life insurance/critical illness lump sum benefit are limited to \$5,000 and the Partial Lump Sum Benefit Option and Social Security Level Income Option were eliminated.

### **Adjustable Benefits**

The Plan offers the following adjustable benefits that may be reduced or eliminated as part of any rehabilitation plan that may be adopted: disability benefits (if not yet in pay status); early retirement benefit; subsidized 100% Joint and Survivor benefit option; and lump sum pre-retirement death benefit.

### **Where to Get More Information**

Since the law requires that the Plan’s funded status be reviewed and certified annually, notices like this one will be sent each year if the Plan is in critical status.

**We understand that legally required notices like this one can create concern about the Plan’s future. We are working closely with our professional advisors to monitor the Plan’s condition and develop strategies to improve the Fund’s funding status and provide you with sound pensions.**

In the event you have questions or would like additional information, you may contact the Board of Trustees, or Fund Office at:

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