

# FUND OFFICE OF LOCAL 580 SHOP



Administrative Office of:

IRON WORKERS LOCAL 580 SHOP PENSION FUND  
IRON WORKERS LOCAL 580 SHOP WELFARE FUND  
IRON WORKERS LOCAL 580 SHOP ANNUITY FUND  
IRON WORKERS LOCAL 580 SHOP APPRENTICESHIP TRAINING-UPGRADING FUND

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## Notice of Critical Status and Declining Status For

### Iron Workers Local 580 Shop Pension Fund

This is to inform you that on September 28, 2016 the Plan Actuary certified to the U.S. Department of the Treasury, and to the Trustees, that the Iron Workers Local 580 Shop Pension Plan (the "Plan") is in Critical and Declining Status for the plan year beginning July 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 and liquidity problems, and is projected to become insolvent in a future year. More specifically, the Plan's Actuary has determined that the Plan is projected to have an accumulated funding deficiency for the 2019 plan year. The Plan is expected to become insolvent by the plan year ending June 30, 2025. Such insolvency may result in benefit reductions.

#### Rehabilitation Plan

Federal law requires pension plans in Critical Status or Critical and Declining Status to adopt a Rehabilitation Plan aimed at restoring the financial health of the plan. Accordingly, the Board has adopted a Rehabilitation Plan ("Rehabilitation Plan") that forestalls insolvency based on the Trustees determination that all reasonable measures have been exhausted.

The Board considered numerous actions and alternatives for possibly enabling the Plan to emerge from critical status either by the end of the Rehabilitation Period, which is the 10-year period beginning July 1, 2017 and ending June 30, 2027, or as soon as reasonably possible after such period. The Trustees determined that, based on reasonable assumptions and exhaustion of all reasonable measures, the plan cannot reasonably be expected to emerge from Critical Status by the end of the Rehabilitation Period. For each active participant in this Plan, there are approximately 35 inactive participants receiving benefits or entitled to future benefits. The four remaining employers perform work in the highly competitive construction market in New York City, where virtually all of the metal fabricating shops with whom they compete are not unionized. Their ability to raise prices to help fund a Pension Fund with under 25 active participants and over 848 inactive participants receiving benefits or entitled to future benefits is virtually impossible. In addition, ownership of the remaining contributors is vested in individuals who are either past (their) retirement age or will be reaching such age shortly. Due to the continuing worsening condition of the Fund, the demographics involved and the impossibility of correcting the structural imbalance of the Fund, as well as the improbability of adding additional employers as Fund contributors, the Trustees are currently exploring a managed mass withdrawal/plan termination strategy. A managed mass withdrawal is when all employers from a plan formally agree to withdraw from the plan, and agree to financial terms for addressing certain applicable liabilities of the plan

#### Rehabilitation Plan and Adjustable Benefits

The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a Rehabilitation Plan. Even though the Rehabilitation Plan has been adopted by the Trustees, the Trustees must review the Rehabilitation Plan annually and make adjustments as necessary to keep the Pension Fund on track to emerge from Critical Status, if possible. If the Trustees determine that benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of such reductions.

The Plan offers the following adjustable benefits that may be reduced or eliminated as part of the Rehabilitation Plan that the Plan adopted:

- The Disability Pension for participants who have not satisfied the eligibility requirements for a Disability Pension
- The 60-monthly payment guarantee for participants retiring after October 28, 2015
- The 120-certain payment optional form

Any changes to Adjustable Benefits, which are adopted as part of the Rehabilitation Plan, will not reduce the level of any participant's accrued benefit payable at Normal Retirement Age. Additionally, these reductions will not apply to any retiree or beneficiary that started receiving his or her benefits before October 28, 2015, the date that the initial Notice of Critical Status was first provided.

### **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. This surcharge does not apply to employers once a collective bargaining agreement that incorporates a rehabilitation plan schedule is adopted.

Effective November 27, 2015, a 5% surcharge applies to contributions for work performed on or after November 27, 2015. The surcharge increased to 10% on July 1, 2016 for employers that did not sign a Collective Bargaining Agreement that reflects the adopted Rehabilitation Plan.

### **Multiemployer Pension Reform Act of 2014 (MPRA)**

Under the Multiemployer Pension Reform Act of 2014 ("MPRA"), a plan that has been determined to be in critical and declining status and is projected to become insolvent may be able to adopt certain reductions to accrued benefits, subject to various requirements and limitations, if doing so is projected to prevent insolvency. Generally, in order for the plan sponsor to adopt a benefit suspension, the suspension must be approved by the Department of the Treasury (Treasury) in consultation with the Department of Labor and the Pension Benefit Guaranty Corporation (PBGC), and ratified by a vote of the plan's participants and beneficiaries. MPRA also provides that a plan in critical and declining status that cannot be projected to avoid insolvency by benefit suspension alone, may be eligible to apply to the PBGC for a partition, subject to various requirements and limitations, if a partition (in addition to suspension) is projected to prevent insolvency. If the Trustees of the Plan determine that it is in the best interest of the Plan and the Plan's participants and beneficiaries to utilize one of the statutory tools available pursuant to MPRA, you will receive a separate notice in the future identifying and explaining the effect of these provisions.

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

You have the right to receive a copy of the complete Rehabilitation Plan from the Pension Fund upon request. For more information about this Notice, you may contact the Fund Administrator, Iron Workers Local 580 Shop Pension Fund, 501 West 42nd Street, 2nd Fl., New York, New York 10036 Telephone: (646) 561-2390. You have a right to receive a copy of the Rehabilitation Plan from the Plan.

This Notice is dated **October 28, 2016.**

*As required by law, this notice is being provided to all required parties including the Pension Benefit Guaranty Corporation (PBGC), the U.S. Department of Labor, each Plan Participant and Beneficiary, the Union and each the Contributing Employer.*