

# PENSION AND ANNUITY FUNDS OF STAGE EMPLOYEES LOCAL NO. 4, I.A.T.S.E.

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April 22, 2010

The Pension Protection Act of 2006 (PPA) added requirements for measuring the financial health of multiemployer plans such as ours. Starting with the 2008 plan year, the PPA required that a pension plan's actuary determine annually the plan's status under these new rules and certify that status to the IRS and its trustees (plan sponsor). If the plan's status for a plan year is in "endangered" ("Yellow Zone"), "seriously endangered" ("Orange Zone") or "critical" ("Red Zone") status, the trustees must notify all plan participants in writing of this certification and take corrective action to restore the financial health of the plan.

## **Plan's Status—"Yellow" Zone**

This letter will serve as the Notice that our Pension Plan's actuary has determined on March 30, 2010 and certified that this Plan is in "endangered" status (yellow zone) for the plan year beginning January 1, 2010. This certification was submitted to the IRS on March 30, 2010. This Plan is considered "endangered" because, based on the PPA's new funding measures, the Plan is currently less than 80% funded. Our plan falls just slightly below this mark, at 78.56%. "Endangered" is a label that the law requires us to use, but in fact, the Plan is meeting its funding requirements and is expected to continue to do so into the future.

## **Funding Improvement Plan**

The PPA also requires that any pension plan in the Yellow Zone adopt a "Funding Improvement Plan" (FIP). The FIP is an action plan designed to significantly increase a plan's funding to meet certain benchmark levels. The Trustees of our Plan will develop the FIP and a notice describing it will be provided to the collective bargaining parties. Based on projections made by the Plan's actuary using current contribution levels and reasonable assumptions as to such things as expected future rates of return and the size of our ongoing workforce, the Plan is expected to emerge from the Yellow Zone in the next few years without any other changes being necessary.

During the period covered by the FIP, no reduction is generally permitted in the level of contributions, nor may any amendment increasing benefits be adopted unless the plan actuary certifies that the amendment is consistent with the funding improvement plan and is paid out of contributions not otherwise required by the funding improvement plan. Once the Plan is out of the Yellow Zone, these restrictions no longer apply.

We understand that legally required notices like this one can create anxiety and concern about the Pension Plan's future; however, the Board of Trustees remains confident that the Plan will continue to provide our participants and their families with secure retirement benefits. You have the right to receive a copy of the funding improvement plan once it has been prepared.

## **For more information about this Notice, you may contact:**

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