

# **PACIFIC COAST SHIPYARDS PENSION FUND**

5 THIRD STREET, SUITE 525 • SAN FRANCISCO, CA 94103  
PHONE (415) 896-5742 • 1-800-257-1515 • FAX (415) 896-0587



March 26, 2010

**Certified Mail**  
**Return Receipt Requested**

Secretary of Labor  
U.S. Department of Labor  
200 Constitution Ave., NW  
Washington, DC 20210

Re: Updated April 1, 2008 Notice of Critical Certification & Rehabilitation Plan for  
Pacific Coast Shipyards Pension Plan (EIN 94-6128040/ PN 001)

Dear Sir or Madam:

In connection with this Plan's Certification of Critical Status, please find enclosed a copy of our March 2010 notice updating the April 1, 2008 Rehabilitation Plan that has been provided to participants, participating employers, local unions, retirees and beneficiaries.

Please let us know if you have any questions.

**Board of Trustees**  
**Pacific Coast Shipyards Pension Plan**

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March, 2010

**TO: PARTICIPANTS, ALTERNATE PAYEES, BENEFICIARIES,  
SPONSORING UNIONS, CONTRIBUTING EMPLOYERS,  
DEPARTMENT OF LABOR & PENSION BENEFIT GUARANTY  
CORPORATION**

**FROM: BOARD OF TRUSTEES  
PACIFIC COAST SHIPYARDS PENSION FUND**

**RE: UPDATED ACTUARY'S CERTIFICATION OF CRITICAL  
STATUS & REHABILITATION PLAN**

On April 1, 2008, the Plan's Consulting Actuary certified to the Board of Trustees that the Plan was in "critical status" as defined in the Pension Protection Act of 2006. In a notice dated April 1, 2008, you received information regarding critical status, as ERISA 204(h) notice describing the reduction and elimination of certain benefits under the Rehabilitation Plan and its Schedules, a copy of the Rehabilitation Plan and its Schedules, a notice to contributing employers, a letter to the Secretary of Labor and a letter to the Pension Benefit Guarantee Corporation.

Attached to this notice is an update to the Rehabilitation Plan and its Schedules.

Should you have any questions whatsoever, please contact the Fund Office at the address shown at the top of this notice. Any questions which cannot be resolved by the Fund Office will be promptly referred by the Fund Office to the Board of Trustees for their consideration.

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March, 2010

## PACIFIC COAST SHIPYARDS PENSION FUND

### Updated April 1, 2008 Rehabilitation Plan

#### Introduction

The Pension Protection Act of 2006 (“PPA”) requires the Trustees of a multiemployer pension plan that has been certified by the plan’s actuary as being in critical status to develop a Rehabilitation Plan that is intended to enable the plan to cease to be in critical status by the end of the rehabilitation period. The Rehabilitation Plan must be based on reasonably anticipated experience and on reasonable actuarial assumptions. On April 1, 2008, the Pacific Coast Shipyards Pension Plan (“Plan”) was certified by its actuary to be in critical status for the plan year beginning April 1, 2008.

This Rehabilitation Plan:

1. specifies the rehabilitation period and the expected emergence date;
2. includes two schedules (Default and Alternative) of benefit and contribution changes, that will be provided to the bargaining parties, one of which must be implemented as part of future collective bargaining agreements between local unions and contributing employers commencing after June 30, 2008;
3. describes how the Default Schedule will be automatically implemented if there is no agreement between the bargaining parties in a timely manner;
4. provides annual standards for meeting the requirements of the Rehabilitation Plan and describes how the Rehabilitation Plan will be updated from time to time.

#### Rehabilitation Period and Expected Emergence Date

The rehabilitation period is the 13-year period beginning April 1, 2009. The Plan is expected to emerge from critical status as of April 1, 2021 based on reasonable assumptions and the terms of this Rehabilitation Plan.

#### Default and Alternative Schedules

Attachment A is the Default Schedule under the Rehabilitation Plan and contains revised benefits and supplemental contributions. Attachment B is an Alternative Schedule under the Rehabilitation Plan and contains supplemental contributions only without changes to current benefits.

### **Other Potential Remedies**

In addition to the foregoing, the bargaining parties and/or Trustees may effectuate a spinoff or merger whereby all liabilities and assets of the Fund are divided into one or more groups representing the four basic crafts that are represented in this fund: Painters, Laborers, Plumbers and Sheet Metal Workers. Each of these would be merged into one or more larger pension funds. To avoid a residual plan with low assets/liabilities and high overhead expenses an "all or nothing" policy must be followed such that none of the groups may be spun off and merged unless all are spun off and merged. If effectuated these spinoffs/mergers would result in termination of the plan since all assets and liabilities would have been transferred to one or more other Funds. To date no Plans have been willing to accept the assets and liabilities of this Plan. The Board of Trustees is willing to consider spinoff/merger proposals from any and all other qualified Plans.

The following table gives an approximate idea as to how liabilities and assets would be allocated:

	<b>Actuarial Accrued Liability (AAL) as of 4/1/2007</b>	<b>AAL as a percentage of total</b>	<b>Assets allocated by AAL*</b>
Painters	\$20,501,000	33.1%	\$18,423,000
Laborers	15,882,000	25.7%	14,304,000
Plumbers	17,369,000	28.1%	15,640,000
Sheet Metal Workers	8,118,000	13.1%	7,291,000
<b>Total</b>	<b>\$61,870,000</b>	<b>100.0%</b>	<b>\$55,658,000</b>

*\* Using market value of assets of \$55,658,000 as of December 31, 2007, as reported by the investment consultant.*

### **Other Issues**

Since contracts are typically negotiated for less than a 13-year period, it is expected that future contract renewals will be consistent with the Default or Alternative Schedule as applicable. The Trustees may adjust these schedules at any time during the rehabilitation period.

In the event that the Default Schedule is implemented for an employer, and then the Alternative Schedule is bargained as part of a subsequent negotiation, the Trustees will develop a revised contribution schedule for that particular situation.

If a participant changes employers and, therefore, becomes covered under a different schedule, benefits shall be determined as follows:

- If a participant who was covered by the Alternative Schedule subsequently becomes covered by the Default Schedule, benefits accrued up to the date of change will be determined under the Alternative Schedule and benefits accruing after that date determined on the Default Schedule.

**DEFAULT SCHEDULE****Benefit Changes**

- Future accruals at 1.00% of contributions instead of 2.00%.
- Remove Rule of 70 on all future retirements
- Remove early retirement subsidies – instead of 2% per year reductions from age 60, reductions will be based on actuarial equivalence from normal retirement age (62).
- Remove 36-month guarantee – applies both to the normal form of benefit payment at retirement, and to pre-retirement death benefits.
- Remove Disability Pension (on all future disabilities)

**Supplemental Contributions**

Supplemental Contributions will be payable based on the following schedule:

**Contribution increases under all agreements as follows (all increases are “off-benefit”):**

Effective Date	Increase in hourly rate	Cumulative increase
January 1, 2009	\$0.80	\$0.80
January 1, 2010	0.75	1.55
January 1, 2011	0.75	2.30
January 1, 2012	3.50	5.80
January 1, 2013	3.50	9.30
January 1, 2014	3.50	12.80
January 1, 2015	3.00	15.80
January 1, 2016	3.00	18.80
January 1, 2017	3.00	21.80
January 1, 2018	2.50	24.30
January 1, 2019	2.50	26.80
January 1, 2020	1.50	28.30
January 1, 2021	1.50	29.80
January 1, 2022	0.50	30.30

**ALTERNATIVE SCHEDULE****Benefit Changes**

None

**Supplemental Contributions**

Supplemental Contributions will be payable based on the following schedule:

**Contribution increases under all agreements as follows (all increases are “off-benefit”):**

Effective Date	Increase in hourly rate	Cumulative increase
January 1, 2009	\$0.80	\$0.80
January 1, 2010	0.75	1.55
January 1, 2011	0.75	2.30
January 1, 2012	8.93	11.23
January 1, 2013	4.73	15.96
January 1, 2014	2.63	18.59
January 1, 2015	2.63	21.22
January 1, 2016	2.10	23.32
January 1, 2017	2.10	25.42
January 1, 2018	2.10	27.52
January 1, 2019	2.10	29.62
January 1, 2020	1.47	31.09
January 1, 2021	0.84	31.93
January 1, 2022	0.84	32.77

**Effective Date**

The supplemental contributions will commence on the effective date of the collective bargaining agreement that includes this Alternative Schedule. Future increases will be effective at 12-month intervals.