

**NOTICE OF CRITICAL STATUS FOR  
BUILDING LABORERS LOCAL 310 PENSION FUND  
FOR THE PLAN YEAR BEGINNING MAY 1, 2015**

**August 28, 2015**

**TO: Participants, Beneficiaries, Retirees, Participating Employers, Construction Employers Association of Cleveland & Building Laborers' Union Local No. 310**

**Overview of the Pension Protection Act**

The Pension Protection Act of 2006 ("PPA") was signed into law on August 17, 2006. PPA provides for comprehensive pension reform, including major changes to the funding rules for multiemployer pension plans. These changes require multiemployer pension plans to be evaluated by actuaries to determine whether the pension plan has a current or projected funding deficiency. If certain conditions are present, the multiemployer pension plan must develop and implement a plan to improve the funding. Generally, the multiemployer pension plan's actuary must annually certify to the Secretary of Treasury and the plan sponsor the multiemployer pension plan's funding status, commonly referred to as the "Green Zone", the "Yellow Zone", or the "Red Zone".

For Building Laborers Local 310 Pension Fund ("Pension Fund"), these new rules took effect starting May 1, 2008. The actuary certified that the Pension Fund was in "Critical" or "Red Zone" status for each of the last seven Plan Years. Each year, the Pension Fund is required under PPA to obtain a new actuarial certification and send out this Notice to inform you of the Pension Fund's current actuarial status.

**The Pension Fund's Actuarial Status for 2015**

The purpose of this Notice is to inform you that on July 29, 2015, the Pension Fund's actuary certified to the U.S. Department of Treasury and the Trustees that the Pension Fund is in the Critical or Red Zone Status for the Plan Year beginning May 1, 2015. PPA requires that as an interested party, you receive this Notice.

The Pension Fund is in the Red Zone because a funding deficiency (failure to satisfy minimum funding requirements) is projected to exist in the current year. Based upon this determination that the Pension Fund is in the Red Zone, the Trustees, Building Laborers' Local Union No. 310 (the "Union") and the contributing employers have taken additional steps to improve the funding of the Pension Fund in order to exit the Red Zone. Those steps are discussed in detail below.

**The Rehabilitation Plan**

In August 2008, when the Pension Fund was first certified in the Red Zone, the Trustees developed a plan to restore the financial health of the Pension Fund, which is referred to as a "Rehabilitation Plan." The Trustees made changes to the Pension Fund as part of this Rehabilitation Plan. The changes included the reduction of benefits called "Adjustable Benefits". Adjustable Benefits can be reduced or even eliminated as part of a Rehabilitation Plan even if they would otherwise be protected under ERISA's anti-cutback rules. The term "Adjustable Benefits" generally includes all of the following:

1. Any right to receive a retirement benefit prior to Normal Retirement Age;
2. Any early retirement benefit or retirement type subsidy including the Early Retirement Pension, 25 and Out Service Pension, and 30 and Out Service Pension under the Pension Fund;
3. All disability benefits not yet in pay status;
4. Pre-Retirement death benefits other than the Qualified Pre-retirement Survivor Annuity;
5. All post-retirement death benefits that are not part of an annuity form of payment;
6. All pro rata pensions to the extent that they are contingent on eligibility to receive one of the adjustable benefits under this Pension Fund;

7. All benefits, rights and features under the Pension Fund that are not otherwise referenced above, such as suspension of benefit provisions; and
8. All benefit increases that were adopted less than 60 months prior to May 1, 2008 (not applicable to this Pension Fund).

Adjustable Benefits do not include a participant's accrued benefit payable at Normal Retirement Age.

The Pension Fund's Rehabilitation Plan, which was effective May 1, 2009, included two schedules. One schedule, known as the "Default Schedule", reduced benefits to the maximum extent allowable by law and does not provide for any contribution rate increases, as required by PPA. The second schedule, known as the "Alternative Schedule", provided for contribution increases and fewer benefit reductions. Both Schedules were presented to the bargaining parties and they adopted the Alternate Schedule on August 28, 2008 which included benefit changes to be effective May 1, 2009.

Since that time, the funded position of the Plan suffered further declines due to the assets and employment losses resulting from the recession. As an interim step, the Trustees and bargaining parties took steps to increase the contribution rate effective May 1, 2011 by \$1.70 per hour. Additionally, effective as of May 1, 2011, the rate of future benefit accruals is reduced from 3% of Credited Contributions to 2% of Credited Contributions.

While these changes helped improve the financial position of the Pension Fund, the Rehabilitation Plan was still required to be updated effective May 1, 2011. The updated Rehabilitation Plan provides for an "Alternate Schedule" which calls for \$0.50 increases for each year beginning May 1, 2012 through May 1, 2020. The "Default Schedule" cannot include contribution increases, so, under the "Default Schedule" all adjustable benefits would need to be eliminated as of May 1, 2012 with the exception of the disability pension benefit. The Trustees provided both schedules to the Union and the employers signatory to the Collective Bargaining Agreement, which are defined as the "bargaining parties" under PPA, on May 30, 2011. The bargaining parties adopted the Alternate schedules with the Collective Bargaining Agreement ("CBA") effective May 1, 2012 and again effective May 1, 2015.

Any changes to Adjustable Benefits which are adopted as part of the Rehabilitation Plan will not reduce the level of a participant's accrued benefit payable at Normal Retirement Age. Additionally, these reductions will not apply to any participant or beneficiary that started receiving his or her benefits prior to **August 15, 2008**.

#### **Employer Surcharges**

For the initial plan year that a multiemployer pension plan is first certified as being in the Red Zone, PPA requires that contributing employers pay a surcharge to the Pension Fund to help improve the funding situation. Surcharges are additional contributions paid to the Pension Fund at the same time and in the same manner as the regular contributions. Once the bargaining parties negotiate a schedule provided under the Rehabilitation Plan, the obligation for the employer to pay the surcharges is eliminated. The amount of this surcharge is in addition to the amount an employer is otherwise required to contribute to the pension plan under the collective bargaining agreement. With some exceptions, a 5% surcharge applies for the initial critical plan year and then increases to 10% for succeeding plan years until it is no longer applicable.

Since the bargaining parties agreed to the Alternate Schedule on September 3, 2008, the surcharge was not required under PPA.

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

Participants and Beneficiaries have rights under the Plan and ERISA as described in the Summary Plan Description. For more information about the Pension Fund or this Notice, please contact Edward Fox, Fund Administrator, Building Laborers Local 310 Pension Fund, 3250 Euclid Avenue, Room 150, Cleveland, Ohio 44115, phone number (216) 431-2130. Participants and beneficiaries may also contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210.