

# MICHIGAN REGIONAL COUNCIL OF CARPENTERS' FRINGE BENEFIT FUNDS

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# Notice of Plan Status For Carpenters Pension Trust Fund – Detroit and Vicinity Pension Plan

This is to inform you that on July 27, 2018 the Plan Actuary certified to the U.S. Department of the Treasury and to the Plan Sponsor that the Plan is in critical and declining status for the plan year beginning May 1, 2018. Federal law requires that you receive this notice. In the future you will receive an annual update of this status and the progress the Plan is making towards the goals described below.

The Plan is considered to be in critical and declining status because it is projected to satisfy both of the following:

### Plan is considered to be in critical status

The Plan remains in critical status because the Plan has an existing accumulated funding deficiency and the Plan's actuary projects that, if no further action is taken, the Plan will have an accumulated funding deficiency for the plan year ending April 30, 2019. Note, "accumulated funding deficiency" means that contributions would be insufficient to satisfy Federal funding requirements.

### Projected insolvency within the current or next 20 plan years and funded percentage less than 80%

The Plan's actuary determined that the Plan's funded percentage is 34.5% on May 1, 2018. The "funded percentage" is the fraction of earned benefits that could be funded with existing Fund assets. The Plan's actuary also projects that, if no further action is taken, the Plan will have a projected insolvency in the plan year ending April 30, 2036. Insolvent means that the Plan's available resources will not be sufficient to pay benefits under the Plan during that Plan Year as they become due.

As required by law, the Plan Actuary's certification includes only contribution rate increases that have been codified in collective bargaining or participation agreements.

## Rehabilitation Plan and Possibility of Reduction in Benefits

Federal law requires pension plans in critical and declining status to adopt a rehabilitation plan aimed at restoring the financial health of the Plan. A rehabilitation plan may involve reductions to **future** benefit accruals, increases to contribution rates, or both. The law also permits pension plans to reduce, or even eliminate, certain benefits called "adjustable benefits" as part of a rehabilitation plan. The Plan offers the following adjustable benefits which may legally be reduced or eliminated as part of any rehabilitation plan the Pension Plan may adopt:

- Disability benefits (not in pay status)
- Early retirement benefits or subsidies;

Certain benefits were already reduced pursuant to prior rehabilitation plan(s), and you were mailed a notice of these reductions. But you should know that whether or not the Plan reduces adjustable benefits, the Plan is not permitted to pay any lump sum benefits of \$5,000 (or any other payment in excess of the monthly amount paid under a single life annuity) while it is in critical status.

In addition the trustees of a critical and declining plan may suspend certain benefits in order to avoid becoming insolvent. A suspension of benefits means a temporary or permanent reduction of current or future payment obligations of the plan to its participants, including those receiving monthly benefits from the plan at the time benefits are suspended, subject to certain restrictions and government approval. The reduction must eliminate the insolvency (no more, no less), must be within allowable limits and must be equitably allocated. All reasonable measures must also have already been taken. The current rehabilitation plan does indicate that all reasonable measures have been taken. Any such recommended benefit suspensions must first be approved by the Secretary of the Treasury and are also subject to a participant vote. If the Trustees of the Plan determine that benefit suspensions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those suspensions.

### **Future Experience and Possible Adjustments**

The rehabilitation plan is based on a number of assumptions about future experience and may need to be adjusted in the future if such assumptions are not met. Additional contribution rate increases and/or reductions in the rate at which benefits are earned may be needed if the Fund were to suffer asset returns below the expected 7.50% (in the 2018-19 plan year or later), a drop in the hours worked, or poor experience from other sources. If, at some point in time, the Trustees determine that further adjustments are necessary, you will receive a separate notice identifying and explaining the effect of those changes.

#### Where to Get More Information

You have a right to receive a copy of the rehabilitation plan once it has been formally approved by the bargaining parties. To receive a copy, you may contact the Board of Trustees of Carpenters Pension Trust Fund - Detroit and Vicinity Pension Plan at 700 Tower Drive, Suite 300, Troy, MI 48098-2808 or by telephone at 248-813-9800.