

**ANNUAL FUNDING NOTICE**  
**For**  
**Plumbers and Pipefitters Local No. 421 Pension Plan**

Introduction

This notice includes important information about the funding status of your multiemployer pension plan (“the Plan”). It also includes general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation (“PBGC”), a federal insurance agency. All traditional pension plans (called “defined benefit pension plans”) must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is required by federal law. This notice is for the plan year beginning September 1, 2017 and ending August 31, 2018 (“Plan Year”).

The Trustees wish to advise you that the Plan is not insolvent.

Funded Percentage

The law requires the administrator of the Plan to tell you how well the Plan is funded, using a measure called the “funded percentage”. The Plan divides its assets by its liabilities on the Valuation Date for the Plan Year to get this percentage. In general, the higher the percentage, the better funded the plan. The Plan’s funded percentage for the Plan Year and each of the two preceding plan years is shown in the chart below. The chart also states the value of the Plan’s assets and liabilities for the same period.

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Valuation Date	September 1, 2017	September 1, 2016	September 1, 2015
Funded Percentage	177.0%	166.4%	164.8%
Value of Assets	\$58,424,427	\$51,747,852	\$46,601,967
Value of Liabilities	\$33,001,923	\$31,090,918	\$28,265,579

Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date. They are also “actuarial values”. Actuarial values differ from market values in that they do not fluctuate daily based on changes in the stock or other markets. Actuarial values smooth out those fluctuations and can allow for more predictable levels of future contributions. Despite the fluctuations, market values tend to show a clearer picture of a plan’s funded status at a given point in time. The asset values in the chart below are market values and are measured as of the last day of the Plan Year. The chart also includes the year-end market value of the Plan’s assets for each of the two preceding plan years.

	<b>August 31, 2018</b>	<b>August 31, 2017</b>	<b>August 31, 2016</b>
Market Value of Assets	\$68,190,000	\$59,131,928	\$50,803,697

### Critical or Endangered Status

Under federal pension law a plan generally will be considered to be in “endangered” status if the funded percentage of the plan is less than 80 percent. A plan is in “critical” status if the funded percentage is less than 65 percent (other factors may also apply). A plan is in “critical and declining status” if it is in critical status and is projected to become insolvent (run out of money to pay benefits) within 15 years (or 20 years if a special rule applies). If a pension plan enters endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status or critical and declining status, the trustees of the plan are required to adopt a rehabilitation plan. Funding improvement and rehabilitation plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time. The plan sponsor of a plan in critical and declining status may apply for approval to amend the plan to reduce current and future payment obligations to participants and beneficiaries.

The Plan was not in endangered, critical, or critical and declining status in the Plan Year.

### Participant Information

The total number of participants and beneficiaries covered by the Plan on the valuation date, September 1, 2017, was 962. Of this number, 625 were current employees, 154 were retired and receiving benefits, and 183 were retired or no longer working for the employer and have a right to future benefits.

### Funding & Investment Policies

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The Board of Trustees shall consider benefit improvements or benefit reductions to Pension Plan as follows:

#### **Benefit Improvements**

Benefit improvements will be considered annually upon the existence of either of the following criteria:

1. The most recent actuarial valuation and projections for the next 10 plan years demonstrate all of the following:
  - a. The funded percentage (based upon a market value of assets) is more than 125% for the current plan year and the next 10 plan years, and
  - b. The Pension Plan is not forecast to be critical nor endangered under Pension Protection Act of 2006 ("PPA") for the current plan year and the next 10 plan years, and
  - c. The Funding Standard Account is projected to be positive for the current plan year and the next 10 plan years.
2. Anticipated contributions are not expected to be deductible by a contributing employer in the current year.

## **Benefit Reductions**

Benefit reductions will be considered annually upon the existence of any of the following based on the most recent actuarial valuation and projections for the next 10 plan years:

1. The funded percentage (based upon a market value of assets) is less than 110% for the current plan year or any of the next 10 plan years, or
2. The Plan is forecast to be either critical or endangered under PPA for the current plan year or any of the next 10 plan years, or
3. The Funding Standard Account is projected to be negative for the current plan year or any of the next 10 plan years.

Additionally, changes to this funding policy will be considered if there are changes in legal requirements or significant economic changes that impact the Pension Plan, participants, union or contributing employers.

Pension plans also have investment policies. These generally are written guidelines or general instructions for making investment management decisions. The investment policy of the Plan is as follows: "Assets of the Fund shall be invested in a manner consistent with the fiduciary standards of ERISA; namely, (1) all transactions undertaken must be in the sole interest of Plan participants and their beneficiaries, (2) to provide benefits and defray reasonable expenses of plan administration in a prudent manner, and (3) assets are to be diversified in order to minimize the impact of large losses in individual investments. Furthermore, all investments shall be made in compliance with all other relevant laws and consistent with the provisions of the Agreement and Declaration of Trust that governs the Fund ("Trust Agreement")."

The long-term investment objectives of the Plan, net of expenses are as follows: "(1) a long-term rate of return, which meets or exceeds the assumed actuarial rate of the Plan as listed in the Fund's actuarial report (the present assumed actuarial rate as determined by the Plan actuary is 6.75%, but may be changed from time to time), (2) maintenance of sufficient income and liquidity to fund benefit payments and (3) preserve the principal value of the Plan.

Under the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

<b><u>Asset Allocations</u></b>	<b><u>Percentage</u></b>
Stocks	55.2%
Investment grade debt instruments	3.8%
High-yield debt instruments	11.6%
Real estate	19.4%
Other	10.0%

### Right to Request a Copy of the Annual Report

Pension plans must file annual reports with the US Department of Labor. The report is called the "Form 5500". These reports contain financial and other information. You may obtain an electronic copy of your Plan's annual report by going to [www.efast.dol.gov](http://www.efast.dol.gov) and using the search tool. Annual reports are also available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator. Annual reports do not contain personal information, such as the amount of your accrued benefit. You may contact your plan administrator if you want information about your accrued benefits. Your plan administrator is identified below under "Where to Get More Information."

### Summary of Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans that become insolvent, either as ongoing plans or plans terminated by mass withdrawal. The plan administrator is required by law to include a summary of these rules in the annual funding notice. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for that plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available resources. If such resources are not enough to pay benefits at the level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notice of its status to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected, including loss of a lump sum option.

Your plan is not insolvent.

### Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only benefits that you have earned a right to receive and that can not be forfeited (called vested benefits) are guaranteed. There are separate insurance programs with different benefit guarantees and other provisions for single-employer plans and multiemployer plans. Your Plan is covered by PBGC's multiemployer program. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first \$11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next \$33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is \$35.75 per month times a participant's years of credited service.

*Example 1:* If a participant with 10 years of credited service has an accrued monthly benefit of \$600, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ( $\$600/10$ ), which equals \$60. The guaranteed amount for a \$60 monthly accrual rate is equal to the sum of \$11 plus  $\$24.75 (.75 \times \$33)$ , or \$35.75. Thus, the participant's guaranteed monthly benefit is  $\$357.50 (\$35.75 \times 10)$ .

*Example 2:* If the participant in Example 1 has an accrued monthly benefit of \$200, the accrual rate for purposes of determining the guarantee would be \$20 (or  $\$200/10$ ). The guaranteed amount for a \$20

monthly accrual rate is equal to the sum of \$11 plus \$6.75 (.75 x \$9), or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 (\$17.75 x 10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In addition, the PBGC guarantees qualified preretirement survivor benefits (which are preretirement death benefits payable to the surviving spouse of a participant who dies before starting to receive benefit payments). In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the plan within 60 months before the earlier of the plan's termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

For additional information about the PBGC and the pension insurance program guarantees, go to the Multiemployer Page on PBGC's website at [www.pbgc.gov/multiemployer](http://www.pbgc.gov/multiemployer). Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See "Where to Get More Information About Your Plan" below.

#### Where to Get More Information About Your Plan

For more information about this notice, you may contact:

The Board of Trustees of Plumbers and Pipefitters Local No. 421 Pension Plan  
c/o National Employee Benefits Administrators, Inc.  
2010 NW 150th Ave., Ste. 100  
Pembroke Pines, FL 33028  
Phone: (800) 842-5899

For identification purposes, the official plan number is 001 and the plan sponsor's name and employer identification number or "EIN" is the Plumbers and Pipefitters Local No. 421 Pension Plan, EIN 57-0524232.

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