



## Electrical Workers Administration and Claims Office

General Welfare, Vacation, Pension & Retirement Savings Funds



28600 Bella Vista Parkway, Suite 1110  
Warrenville, IL 60555-1600

Phone (630) 393-1701  
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### **I.B.E.W. Local 701 Electrical Workers General Pension Fund Notice of Plan Status**

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September 2018

Participants, Beneficiaries, Participating Union, and Contributing Employers:

The Pension Protection Act (PPA or Act), signed into law in 2006, is intended to improve the financial condition of pension plans. The Act implemented several safeguards as well as notification requirements to share more information about a plan's "financial health" with participants and others directly interested in the plan.

Starting with the 2008 plan year, the Act requires that all pension plans be tested annually to determine how well they are funded. The Act established formal benchmarks for measuring a plan's funding. Plans that are not in the "Green Zone" as defined by the Act must notify all plan participants, unions, and contributing employers of the plan's status, as well as take corrective action to restore the plan's financial health.

#### **Plan's Status — Yellow Zone**

Under the PPA, if a pension plan is classified as being in the "Yellow Zone," it is considered to be in "endangered" status. One of the criteria by which a plan will fall within the "Yellow Zone" is if the ratio of its assets to its liabilities is less than 80%. For the plan year beginning June 1, 2018, the I.B.E.W. Local 701 Electrical Workers General Pension Fund (the "Plan") has been determined by the Plan's actuary to be 72.6% funded using the PPA's criteria. Accordingly, on August 29, 2018, the Plan was categorized as being in the Yellow Zone for the 2018 plan year.

#### **Funding Improvement Plan**

Yellow Zone status represents an early warning to focus on correcting problems before they lead to more serious trouble. As required by the Act after the Plan was certified as being in the "Yellow Zone" in 2010, the Trustees adopted a Funding Improvement Plan ("FIP") that required no change in plan of benefits or contribution rates. However, while the FIP did not require a specific contribution rate increase, the Trustees have chosen to increase contribution rates each year since 2013, including an increase on June 1, 2018, in order to help reach the funding targets established in the FIP. In addition, the Trustees have made prospective changes in plan provisions regarding Early Retirement, which will also be helpful in attainment of the plan's funding targets set forth in the FIP. The Trustees will continue to inform the employers and union of the items that will need to be covered in collective bargaining agreements entered into or renewed in order to comply with the FIP. Later this year, the Trustees will review the FIP and determine if any changes are necessary. In addition, since the Plan's financial condition can change based on the financial markets and the economy, the Trustees will continue to review the progress of the FIP each year, and make changes as necessary.

## What's Next

While no changes are being made at this time, if any changes are later deemed to be necessary, they will be communicated to all affected individuals and/or parties. Please note that since the Plan's financial condition will continue to change as changes occur in both the markets and the economy generally, the Act requires that the Plan's funding status be reviewed and certified annually. So, you will receive a notice like this each year until the Plan returns to the Green Zone status.

We understand that legally-required notices like this one can create concern about the Plan's future. While the "endangered" label is required by the PPA, we have been conferring with our actuaries and consultants for some time now to address these issues. Please be aware that improving the Plan's funded status is our top priority, and we are committed to taking any actions necessary to ensure your pension benefits will be there when you retire.

For more information about this Notice or the Pension Plan in general, please contact the Pension Plan's Fund Administrator, Mr. Terry J. Musto, at the address shown below.

Mr. Terry J. Musto  
Fund Administrator  
I.B.E.W. Local No. 701 General  
Pension and Welfare Funds  
28600 Bella Vista Parkway, Suite 1110  
Warrenville, Illinois 60555  
(630) 393-1701

Sincerely,  
Board of Trustees  
I.B.E.W. Local 701 Electrical Workers General Pension Fund

*As required by law, this notice is being provided to the Pension Benefit Guaranty Corporation (PBGC) and the Secretary of the Department of Labor.*



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### ANNUAL FUNDING NOTICE

#### For I.B.E.W. LOCAL 701 ELECTRICAL WORKERS GENERAL PENSION FUND

##### 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 June 1, 2017 and ending May 31, 2018 (“Plan Year”).

##### How Well Funded Is Your Plan

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>Funded Percentage</b>			
	<b>2017 Plan Year</b>	<b>2016 Plan Year</b>	<b>2015 Plan Year</b>
Valuation Date	June 1, 2017	June 1, 2016	June 1, 2015
Funded Percentage	72.4%	71.3%	73.3%
Value of Assets	\$327,466,907	\$315,745,469	\$313,221,868
Value of Liabilities	\$452,469,780	\$442,653,341	\$427,259,846

##### Year-End Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date. They also are “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 following chart are market values and are measured on 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>May 31, 2018*</b>	<b>May 31, 2017</b>	<b>May 31, 2016</b>
Fair Market Value of Assets	\$336,655,799	\$310,319,536	\$281,111,799

\* Preliminary value

Endangered, Critical, or Critical and Declining Status

Under federal pension law, a plan generally is in “endangered” status if its funded percentage 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 within 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 in endangered status in the Plan Year ended May 31, 2018, because the projected funded percentage was less than 80% and there was no projected deficiency in the funding standard account within seven years.

As the Plan is in the endangered status for the plan year ending May 31, 2019, a separate notification will be provided.

In an effort to improve the Plan’s funding situation, the Trustees have reviewed the funding improvement plan and will continue to monitor the funding improvement plan and update it as needed.

You may obtain a copy of the Plan’s latest funding improvement plan and the actuarial and financial data that demonstrate any action taken by the plan toward fiscal improvement by contacting the Fund Administrator identified below under “Where to Get More Information”.

### Participant Information

The total number of participants and beneficiaries covered by the Plan on the valuation date was 2,694. Of this number, 1,167 were current employees, 958 were retired and receiving benefits, and 569 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. A funding policy relates to the level of contributions needed to pay for benefits promised under the plan currently and over the years. The Plan is funded by contributions made by contributing employers pursuant to the terms of collective bargaining agreements, and other agreements, to which the contributing employers and unions representing Plan participants are signatory. Participant contributions are not permitted under the Plan and therefore are not a source of funding Plan benefits. The investment earnings on the contributions made to the Plan are also a source of funding.

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 delegates to various investment managers the authority to invest the assets of the Plan as required to achieve the long-range and short term needs of the Plan in accordance with the applicable provisions of ERISA.

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>Asset Allocations</b>	<b>Percentage</b>
1.	Interest-bearing cash	0.96%
2.	U.S. Government securities	3.77%
3.	Corporate debt instruments (other than employer securities): Preferred	0.02%
	All other	6.64%
4.	Corporate stocks (other than employer securities): Preferred	
	Common	7.42%
5.	Partnership/joint venture interests	9.92%
6.	Real estate (other than employer real property)	14.79%
7.	Loans (other than to participants)	
8.	Participant loans	
9.	Value of interest in common/ collective trusts	40.45%
10.	Value of interest in pooled separate accounts	
11.	Value of interest in master trust investment accounts	
12.	Value of interest in 103-12 investment entities	
13.	Value of interest in registered investment companies (e.g., mutual funds)	16.03%
14.	Value of funds held in insurance co. general account (unallocated contracts)	
15.	Employer-related investments: Employer Securities	
	Employer real property	
16.	Buildings and other property used in plan operation	
17.	Other	

For information about the Plan's investment in any of the common/collective trusts contact the Fund Administrator identified below under "Where to Get More Information".

#### 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 also are 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 Fund

Administrator. The annual report does not contain personal information, such as the amount of your accrued benefit. You may contact the Fund Administrator if you want information about your accrued benefit. The Fund Administrator is identified below under “Where to Get More Information”. The Plan’s annual report for the 2017 Plan year may not be available until mid-March 2019.

### 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 Fund 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.

### 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 cannot 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 a 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 Fund Administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See "Where to Get More Information" below.

Where to Get More Information

For more information about this notice, you may contact the individual below:

Mr. Terry J. Musto  
Fund Administrator  
I.B.E.W. Local No. 701 General  
Pension and Welfare Funds  
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For identification purposes, the official plan number is 001 and the plan sponsor's name and employer identification number or "EIN" is Board of Trustees, 701 Pension Fund and 36-6455509.