

2014 PENSION LEGISLATION AND HOW IT MAY AFFECT YOU

Like many individuals, defined benefit pension plans have been struggling to recover from the Great Recession for a number of years now. As you know, we have taken difficult measures to have the Western Metal Industry Pension Plan remain adequately funded.

In December, Congress passed new legislation called the Multiemployer Pension Reform Act of 2014. It has increased the number of tools available to trustees to improve plan funding. One feature that has received significant attention allows severely underfunded pension plans to reduce accrued benefits, including those of retirees, to avoid bankruptcy. These provisions do not allow for elimination of retiree benefit, just reductions.

Our Plan is not a severely underfunded plan and will not make any benefit cuts at this time. Severely underfunded plans must meet the requirements of a new zone status called “critical and declining.” Such a plan must be in “critical status” and be “declining”.

Critical Status

Our Plan is in “critical status” because it was in “critical status” last year and is projected to have an accumulated funding deficiency within the next ten plan years. This means that Rehabilitation Plan contributions are still needed to return the Plan to health.

Declining Tests

A plan is “declining” if it meets one of two tests.

- Test 1 – the plan is projected to become insolvent (go bankrupt) within 15 years
- Test 2 – the plan is projected to become insolvent within 20 years AND either the funded percentage is less than 80% OR there are twice as many inactive participants as active participants.

The Plan’s actuary has analyzed our Plan and determined that we are not “critical and declining” because the Plan, while in “critical status”, is not “declining”. This does not mean the Plan will never meet these requirements. A market event similar to that of 2008 could put the Plan down this path. In such a situation, the trustees, as always, would weigh all of their options carefully to determine the best path for the Plan as a whole. This could include reducing retiree and non-retiree benefits.

Plan Health

Our Plan was determined to be in “critical status” in August 2009. We adopted a Rehabilitation Plan in May 2010 which was subsequently updated in August 2012. Continued progress to strengthen the funding of our Plan will be dependent on future investment performance and future contributions made to the Plan. Contributions are determined by the Rehabilitation Plan and negotiated rates and hours worked in the Plan. Currently the Rehabilitation Plan, while still in “critical status,” is on track to bring our Plan back to financial health.