

**2023 REHABILITATION PLAN OF THE  
IRON WORKERS DISTRICT COUNCIL  
PHILADELPHIA & VICINITY PENSION FUND**

August 26, 2023

**INTRODUCTION**

The Pension Protection Act of 2006 ("PPA") requires the Trustees of a multiemployer pension fund that has been certified by its actuary as being in Critical Status (also known as the "Red Zone") or that has elected to be in Critical Status, to develop a Rehabilitation Plan that is intended to enable the fund to cease to be in Critical Status by the end of the rehabilitation period. The Rehabilitation Plan must be based on reasonably anticipated experience and on reasonable actuarial assumptions. On December 29, 2022, the Iron Workers District Council Philadelphia & Vicinity Pension Fund ("the Fund") was certified by its actuary to be in Critical Status for the Plan Year beginning October 1, 2022.

This Rehabilitation Plan:

1. Specifies the rehabilitation period;
2. Includes two schedules of contribution increases and benefit changes (Default and Preferred) that, if adopted by the bargaining parties, are projected to enable the Fund to emerge from Critical Status at the appropriate time. One of these schedules must be adopted as part of acceptable future collective bargaining agreements between the union and contributing employers that are agreed to after the Bargaining Parties have received the Rehabilitation Plan and Schedules;
3. Explains how the Default schedule will be put into effect automatically if the bargaining parties do not agree on an acceptable schedule in a timely manner; and
4. Sets out annual standards to be achieved under the Rehabilitation Plan and describes how the Rehabilitation Plan will be reviewed annually and updated if necessary.

**EFFECTIVE DATES**

This Rehabilitation Plan consists of two schedules, the Preferred Schedule and the Default Schedule (collectively, the "Schedules"). The Schedules set forth any changes to Adjustable Benefits and contribution rates the Fund will permit under the Rehabilitation Plan. The Fund's participating Employers and Unions are responsible, through collective bargaining, for choosing whether the Preferred Schedule or the Default Schedule will apply to their collective bargaining agreement.

**PLEASE TAKE NOTE****Surcharge in addition to required Employer Contributions (effective February 27, 2023):**

Under the PPA, participating Employers are required to pay to the Fund an automatic surcharge in addition to the contributions otherwise required under each Employer's collective bargaining agreement. Commencing February 27, 2023, the surcharge is five percent (5%) of the required contributions and ten percent (10%) (*i.e.*, an additional five (5%) percent) beginning October 1, 2023. Participants do not accrue any benefits on either surcharge. These additional contributions are due at the same time that the regular contributions are due to the Fund. If a contributing Employer fails to pay the surcharge, the surcharge payment is treated as a delinquent contribution pursuant to ERISA Section 515.

*The automatic Employer surcharge ceases when the bargaining parties adopt either the Preferred Schedule or the Default Schedule. As such, if an Employer and the Union adopt either the Preferred Schedule or the Default Schedule before February 27, 2023, no surcharge will be imposed.*

**CONTRIBUTION REDUCTIONS PROHIBITED**

Beginning on December 29, 2022 and ending on the date of the adoption of this rehabilitation plan, the PPA requires that the Fund not accept a collective bargaining agreement and/or participation agreement that provides for a reduction in the level of contributions for any Participants, a suspension of contributions with respect to any period of service, or any new direct or indirect exclusion of younger or newly hired employees from participation in the Fund.

**LIMITATION OF BENEFIT INCREASES**

Beginning on February 2, 2023, the PPA requires that the Fund's plan document not be amended to increase benefits, including future benefit accruals, unless the Fund's actuary certifies that the benefit increase is paid for with additional contributions not required by the Rehabilitation Plan, and the Fund is still reasonably expected to emerge from Critical Status by the end of the rehabilitation period.

**PREFERRED SCHEDULED AND DEFAULT SCHEDULE**

Attached are the Preferred Schedule and the Default Schedule under the Rehabilitation Plan, which describe the contribution rates and benefit changes that will be made if they are adopted.

*Note:* The benefits of participants whose annuity starting date is prior to April 1, 2023 are not subject to reduction under this Rehabilitation Plan. Benefits for other participants are as follows:

A participant who earns at least 1 Hour of Service under a collective bargaining agreement that adopts terms consistent with one of the schedules of this Rehabilitation Plan shall have his or her benefits determined based on that schedule.

All other participants shall have their benefits determined based on the benefit changes

described in the Default Schedule. These provisions shall take effect on the date specified in the notice of benefit reduction provided by the plan. For a non-collectively bargained active participant on February 1, 2023, who has had contributions made to the Fund under a participation agreement, the Schedule selected by the employer shall become effective with a new participation agreement that conforms with one of the schedules contained in this Rehabilitation Plan.

Participants who work outside the jurisdiction of this Fund and have monies sent to this Fund under a reciprocity agreement shall, for such time period, be treated as not covered by a collective bargaining agreement connected with this Fund and therefore subject to the benefit provisions of the Default Schedule.

## **MISCELLANEOUS**

### **A. Rehabilitation Period**

The Rehabilitation Period is the ten-plan year period beginning October 1, 2025 through September 30, 2035.

### **B. Rehabilitation Plan Standard**

ERISA and the Internal Revenue Code generally provide that a plan must emerge from Critical Status by the end of the Rehabilitation Period. The Fund, however, may emerge from Critical Status prior to the end of the Rehabilitation Period if the Fund's actuary determines that the Fund meets certain funding requirements.

If the Trustees determine, in consultation with the Fund's actuary, that the Fund cannot reasonably be expected to emerge from Critical Status by the end of the Rehabilitation Period, then the Trustees are required to take reasonable measures to enable the Fund to emerge from Critical Status after the end of the Rehabilitation Period, if possible, or to forestall insolvency if the Fund cannot reasonably be expected to emerge from Critical Status.

### **C. Timing of Adoption and/or Imposition of Default Schedule**

If a collective bargaining agreement providing for contributions under the Fund that was in effect on December 29, 2022 expires after the Bargaining Parties have received the Rehabilitation Plan and Schedules and the Bargaining Parties fail to adopt a new collective bargaining agreement that is consistent with the Rehabilitation Plan and one of the Schedules, then the Default Schedule will be implemented automatically 180 days after the date on which the collective bargaining agreement expires. If a new collective bargaining agreement has been entered into before the Bargaining Parties receive the Rehabilitation Plan and Schedules, the Bargaining Parties' next collective bargaining agreement must be consistent with the Rehabilitation Plan and one of the Schedules; if not, then the Default Schedule will be implemented automatically 180 days after the date on which that collective bargaining agreement expires.

**D. Trustee Approved Rehabilitation Plan Remedies**

The Trustees have adopted the measures outlined above, which they have determined to be the most the Fund and industry can reasonably tolerate to enable the Fund to emerge from Critical Status by the end of the Rehabilitation Period.

**E. Annual Standards for Meeting the Rehabilitation Requirements**

Based on reasonable assumptions, the Fund is expected to emerge from the Critical Status by the Plan Year beginning October 1, 2035. The Trustees recognize the possibility that actual experience could be less favorable than the reasonable assumptions. Therefore, the Trustees are establishing the following annual standards to reflect possible actuarial losses and still keep the Fund on target to emerge from the Red Zone by the end of the 10-year rehabilitation period:

<b>Determination for Plan Year Beginning October 1:</b>	<b>Projected Credit Balance (Funding Deficiency) No Less Than the Following by the End of the Determination Plan Year (in \$ millions)</b>
2025	\$0
2026	(14)
2027	(22)
2028	(24)
2029	(26)
2030	(24)
2031	(20)
2032	(18)
2033	(16)
2034	(13)
2035	0

The Trustees expect the Fund will make adequate progress to the extent reasonable based on financial market activity and other relevant factors, toward enabling the Fund to emerge from Critical Status by the end of its Rehabilitation Period, or a later date, if the Trustees determine, based on reasonable actuarial assumptions and upon exhaustion of all reasonable measures that the Fund cannot reasonably be expected to emerge from Critical Status by the end of the Rehabilitation Period.

## **F. Annual Updating of Rehabilitation Plan**

Each year, the Fund's actuary will review and certify the status of the Fund under applicable ERISA and Code funding rules and determine whether the Fund is making the scheduled progress in meeting the applicable funding benchmarks and requirements of the Rehabilitation Plan. If the Trustees determine that it is necessary in light of the updated information, the Trustees will revise the Rehabilitation Plan and present updated schedules to the Bargaining Parties.

## **G. Other Issues**

Notwithstanding subsequent changes in the Schedules, a schedule provided by the Trustees and relied upon by the Bargaining Parties in negotiating a collective bargaining agreement shall remain in effect for the duration of that collective bargaining agreement. However, a collective bargaining agreement that is renewed or extended will need to include terms consistent with one of the Schedules in effect at the time of the renewal or extension.

Benefit changes will become effective pursuant to the terms of this Rehabilitation Plan as soon as legally permissible after the Rehabilitation Plan is adopted.

The benefits of a beneficiary (e.g., surviving spouse) or an Alternate Payee under a Qualified Domestic Relations Order (as defined in Code Section 414(p)) will be determined on the same basis as those of the participant under this Rehabilitation Plan.

In the event that one schedule is implemented for an employer, and then a different schedule is adopted as part of a subsequent negotiation, the Trustees may develop revised contribution requirements for that particular situation.

If a participant changes employer and, therefore, becomes covered under a different schedule, benefits shall be determined as follows:

- If a participant covered by the Preferred Schedule subsequently becomes covered by the Default Schedule, the Normal Retirement benefit accrued up to the date of change will be determined under the Preferred Schedule and the accruals for the Normal Retirement benefit accrued after that date will be determined under the Default Schedule. All other benefit features and provisions under the Default schedule will apply for the participant's entire benefit.
- If a participant covered by the Default Schedule subsequently becomes covered by the Preferred Schedule, the Normal Retirement benefit accrued up to the date of change will be determined under the Default Schedule and the accruals for the Normal Retirement benefit accrued after that date will be determined under the Preferred Schedule. All other benefit features and provisions under the Preferred Schedule will apply for the participant's entire benefit.
- If a pensioner returns to work, the schedule under which he or she works will determine the benefit amounts and features of new benefit accruals but will not affect the features of the benefit already commenced.

- Benefits of a beneficiary or alternate payee with respect to a participant or retiree shall be determined on the same basis as benefits for the participant or retiree to whom they relate.

Benefit changes will become effective as soon as legally permissible and administratively feasible after the Rehabilitation Plan is adopted.

If contribution rates negotiated by the bargaining parties for the pension plan are higher than the amount required under the Rehabilitation Plan, the Board of Trustees reserves the right to determine if additional benefits may be granted to the affected members, to the extent permitted by the law, in order to make the Fund more desirable to attract and retain new members and further forestall insolvency.

The plan of benefits contained in the schedules in this Rehabilitation Plan may be amended for any further changes required for the Plan to continue meeting the requirements to maintain its tax qualification under the Internal Revenue Code and comply with other applicable law.

#### **H. Enforcement of Rehabilitation Plan**

In addition to all of the rights and remedies that are available under the applicable law, including, without limitation, Title I and Title IV of ERISA, the Trustees of the Fund hereby expressly reserve the right to find and determine, in their discretion, that any contributing employer who fails and/or refuses, after written notice, to comply with the terms and conditions of this Rehabilitation Plan, shall be deemed to have had a complete or partial withdrawal from the Fund within the meaning of ERISA Section 4203 or 4205, as applicable. Upon such a finding and determination, the Trustees hereby expressly reserve the right to pursue all of the Fund's remedies against such withdrawing employer and as are available under ERISA and other applicable law.

#### **I. Construction and Modifications**

The Trustees reserve the right to construe, interpret and/or apply the terms and provisions of this Rehabilitation Plan in a manner that is consistent with its intent and design of improving the financial condition of the Fund over time, and any and all constructions, interpretations or applications of the Rehabilitation Plan by the Trustees shall be final and binding unless arbitrary or capricious. The Trustees further reserve the right to make any prospective modifications to this Rehabilitation Plan that, in their discretion, may become necessary or appropriate or that may be required by applicable law.

*Adopted by the Board of Trustees on July 11, 2023*

**ATTACHMENT A: PREFERRED SCHEDULE**

*This is the Preferred Schedule for the Fund's Rehabilitation Plan. This is the Schedule that the Board of Trustees believes will best enable the Fund to emerge from Critical Status. The Preferred Schedule will apply to participating Employers and Unions that have adopted it.*

The Preferred schedule consists of the following:

1. Contributions: Under the Preferred Schedule, no contribution increases (apart from the bargained hourly contribution rate of \$12.55) are required.
2. Benefits: Under the Preferred Schedule, there would be no change to the plan provisions, benefits and benefit accruals in effect on December 29, 2022.

**ATTACHMENT B: DEFAULT SCHEDULE**

The Default schedule consists of the following plan changes for current active participants and all future retirees:

- a. Elimination of Ten-Year Payment Certain pre-retirement death benefit
- b. Elimination of 120-Month post-retirement benefit guarantee
- c. Elimination of Disability Pension for participants not in pay status
- d. Elimination of Service Pension
- e. Elimination of post-retirement lump sum death benefit
- f. Change payment commencement date for the pre-retirement spouse's death benefit from the month after the participant's death to the participant's earliest retirement date for participants who die with at least 15 pension credits
- g. Elimination of Early Retirement subsidy; benefit will be reduced based on actuarial equivalence
- h. Elimination of Husband-and-Wife Pension subsidy; benefit will be actuarially equivalent to a single life annuity

Pensions in payment status prior to the implementation of the Default schedule will not be affected.

Contributions: Under the Default Schedule, no contribution increases (apart from the bargained hourly contribution rate of \$12.55) are required.