

# **BUILDING SERVICE 32BJ PENSION FUND**

## **FUNDING IMPROVEMENT PLAN**

**December 14, 2022**

### **I. INTRODUCTION**

The Pension Protection Act of 2006 (“PPA”), as amended, requires an annual actuarial status determination for multiemployer pension plans including the Building Service 32BJ Pension Fund (the “Plan”). On September 28, 2022, the Plan was certified by its actuary, The Segal Company (“Segal”), to be in endangered status, also known as the “yellow zone,” for the plan year beginning on July 1, 2022 (the “2022 Plan Year”). The certification of endangered status was based upon Segal’s determination that the Plan’s projected funded percentage of 74.66% is less than 80%, but greater than 65%.

The PPA requires that the board of trustees of a multiemployer pension plan that has been certified by its actuary as being in endangered status develop a funding improvement plan that is intended to improve the plan’s funding over a period of years. A funding improvement plan sets forth the actions to be taken by the pension plan’s trustees, as well as the collective bargaining parties, to enable the plan to achieve the “applicable benchmarks”<sup>1</sup> by the end of the plan’s “Funding Improvement Period.”<sup>2</sup> The funding improvement plan must be based on reasonably anticipated experience and reasonable actuarial assumptions regarding investment income and other experience of the plan over a period of future years.<sup>3</sup>

This Funding Improvement Plan sets forth the actions to be taken by the bargaining parties and the Board of Trustees (the “Trustees”) of the Plan, based on reasonably anticipated experience and reasonable actuarial assumptions, to enable the Plan to achieve the “applicable benchmarks” at the end of the Plan’s 10-year Funding Improvement Period.

### **II. OVERVIEW OF FUNDING IMPROVEMENT PLAN**

This Funding Improvement Plan established by the Trustees, based on the actuary’s reasonable assumptions, is designed and intended to enable the Plan to achieve the “applicable benchmarks” by June 30, 2035, the end of the Funding Improvement Period. The Plan will achieve the “applicable benchmarks” when the Plan’s funded percentage as of the end of the

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<sup>1</sup> “Applicable benchmarks” means the requirements set forth in Section 305(c)(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and Section 432(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). “Applicable benchmarks” include increase in the plan’s funding percentage and avoidance of accumulated funding deficiencies.

<sup>2</sup> The Funding Improvement Period for this Plan is a 10-year period that begins July 1, 2025.

<sup>3</sup> All of these requirements are set forth in Section 305(c) of ERISA and Section 432(c) of the Code.

Funding Improvement Period equals or exceeds 83.02%, and there is no accumulated funding deficiency for the last plan year during the Funding Improvement Period.

If the actuary certifies before the end of the Funding Improvement Period that the Fund is no longer in endangered status for a plan year, and is not in Critical status as defined in the PPA, the Funding Improvement Period will end as of the close of the preceding plan year.

As used in this Funding Improvement Plan, the term “collective bargaining agreement” includes any other agreement governing an employer’s contribution obligation to the Plan, including participation and adoption agreements.

### III. SCHEDULES

After consulting with Segal, the Trustees determined that, based on reasonably anticipated experience and reasonable actuarial assumptions, no changes to the current plan of benefits and/or increases in contributions are necessary in order for the Plan to achieve the “applicable benchmarks” by the end of its Funding Improvement Period. Accordingly, the following schedule is both the default schedule (the schedule that would be applicable should a schedule not be adopted in collective bargaining on a timely basis as described below) and the alternative schedule:

1. The contribution rates in effect on July 1, 2022, as follows:
  - a. **PROGRAM A EMPLOYERS.** For employers contributing to Program A of the Plan, the weekly contribution rate in effect on July 1, 2022, is \$126.75. Any contribution rate increases above this amount are not needed for the Plan to meet the requirements of the Funding Improvement Plan.
  - b. **PROGRAM B EMPLOYERS.** For employers contributing to Program B of the Plan, the monthly and hourly contribution rate in effect on July 1, 2022, is set forth in the chart below based on the maximum monthly regular pension after 25 or more years of service. Any contribution rate increases above this amount are not needed for the Plan to meet the requirements of the Funding Improvement Plan.

Maximum Monthly Regular Pension	\$425.00		\$1,000		\$1,160.00	
	Monthly	Hourly	Monthly	Hourly	Monthly	Hourly
In effect on July 1, 2022	\$86.00	\$0.57	\$223.25	\$1.47	\$312.75	\$2.06

- c. **PROGRAM C EMPLOYERS.** For employers contributing to Program C of the Plan, the applicable hourly contribution rate that corresponds to the

maximum monthly benefit after 300 or more months of service credit in effect on July 1, 2022, is set forth in the chart below. Any contribution rate increases above these amounts are not needed for the Plan to meet the requirements of the Funding Improvement Plan.

<b>Maximum Monthly Benefit</b>	<b>Hourly Contribution Rate</b>
\$210	\$0.28
\$250	\$0.32
\$500	\$0.58
\$750	\$0.83
\$1,000	\$1.08

- d. **PROGRAM D EMPLOYERS.** For employers contributing to Program D of the Plan, the contribution rates set forth in Appendix No. 2 of the Program D plan document shall be increased annually by 3.5% beginning with the first collective bargaining agreement negotiated by each applicable employer on or after July 1, 2020, or, if earlier, the date agreed upon by the Trustees, union, and employer. Any contribution rate increases above the rates in effect on July 1, 2022, are not needed for the Plan to meet the requirements of the Funding Improvement Plan.
2. The plan of benefits in effect and amendments previously adopted as of the day before the date of initial certification of endangered status (September 27, 2022), for all current and future active participants (including beneficiaries and alternate payees) and for every year that the Plan is in endangered status, except for:
- a. any benefit 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, or
  - b. after adoption of the Funding Improvement Plan, specific benefit increases, if the Plan’s actuary certifies that such increases will be financed out of additional contributions not contemplated by the Funding Improvement Plan and, after taking into account the benefit increases, the Plan still is reasonably expected to meet the “applicable benchmarks” contemplated in this Funding Improvement Plan.

The Trustees will only accept a collective bargaining agreement from existing or new contributing employers if it provides for a contribution schedule that is consistent with the above schedules and is consistent with the rates established by the Trustees for participation in the applicable program.

#### **IV. AUTOMATIC IMPLEMENTATION OF FUNDING IMPROVEMENT PLAN DEFAULT SCHEDULE AND SUBSEQUENT SCHEDULES**

**Initial Default Schedule.** If a collective bargaining agreement providing for contributions under the Plan that was in effect on July 1, 2022 expires, and after receiving these schedules (as set forth above), the bargaining parties fail to adopt a collective bargaining agreement that provides for contributions at the scheduled rates, the default schedule will be implemented automatically 180 days after the date on which the collective bargaining agreement that was in effect as of the date the Plan entered endangered status expires, provided the employer has not withdrawn from the Plan. Upon implementation of the default schedule, the bargaining parties will be deemed to have adopted, and shall be bound by, the default schedule.

**Subsequent Schedules.** If a collective bargaining agreement expires after the bargaining parties adopted or were deemed to have adopted a schedule, and the bargaining parties fail to adopt an updated schedule within 180 days after the date on which their collective bargaining agreement expired, the Trustees will implement the schedule that applied to the expired collective bargaining agreement, as updated and in effect on the date the collective bargaining agreement expired. Upon such implementation, the bargaining parties will be deemed to have adopted, and shall be bound by, such updated schedule.

#### **V. NON-COLLECTIVELY BARGAINED PARTICIPANTS UNDER FUNDING IMPROVEMENT PLAN**

In the case of an employer that contributes to the Plan on behalf of non-collectively bargained employees, the rules contained in this Funding Improvement Plan shall be applied as if the employer were the bargaining party with respect to Program A, and its participation agreement (or other operative agreement) were a collective bargaining agreement with a term ending on the July 1<sup>st</sup> following the date when the employer is provided with the schedules contained herein.

#### **VI. UPDATING OF FUNDING IMPROVEMENT PLAN**

Pursuant to the PPA, the Plan has adopted the following procedures:

- (i) Each year, the Plan's actuary shall certify the status of the Fund under the PPA funding rules and whether the Fund is making the scheduled progress toward the requirements of the Funding Improvement Plan.
- (ii) The Plan's actuary shall report to the Trustees the results of its annual review.
- (iii) In consultation with the Plan's actuary, the Trustees shall update annually the Funding Improvement Plan and the contribution rates contained in its schedules to reflect the experience of the Plan.

Notwithstanding the foregoing and except as provided in the next sentence, schedules of contribution rates provided by the Trustees and relied upon by bargaining parties in negotiating

a collective bargaining agreement shall remain in effect for the duration of that collective bargaining agreement. The schedules may be amended for any benefit changes that may be required for the Plan to continue meeting the requirements necessary to maintain its tax-qualified status under the Internal Revenue Code and comply with other applicable law. Collective bargaining agreements that are entered, renewed, or extended after the date of any changes to the Funding Improvement Plan will be subject to the Funding Improvement Plan then in effect at the time of such entry, renewal, or extension. The Trustees have the sole authority and discretion to amend, modify, interpret, and apply the provisions of the Funding Improvement Plan and the schedules (including any subsequent updates, amendments or modifications). All such actions by the Trustees shall be final and binding on all persons.