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MEMORANDUM

To: Board of Trustees

From: Judith Goodstein
Alex Giordano

Date: August 19, 2019

Re: Plumbers and Steamfitters Local 486 Pension Plan – Benefit Improvement Study

As requested, we have estimated the cost of an increase in the benefit accrual rate for two scenarios:

1. $1.00 Prospective Increase in Future Accrual Rate Beginning in 2019
2. $1.00 Retroactive Increase in 2010-2018 Accrual Rates

We assumed the improvements would apply to all currently active participants for whom the contribution rate increase would apply, including former Local 782 Plan participants.

The cost, expressed in terms of the increase in the Plan's Scheduled Cost, is presented below. Unless indicated otherwise, these scenarios were based on the data and assumptions used for the January 1, 2019 Zone Certification, as the January 1, 2019 valuation has not yet been completed.

Results

The estimated costs are shown in terms of Scheduled Cost because that is the measurement that has historically been used to evaluate the sustainability of benefit levels over the long term. Other funding metrics, such as the Plan's funded percentage, that determine the Plan's zone status in accordance with the Pension Protection Act, may also be considered and we are available to discuss the effect of these plan changes on those metrics. When evaluating the feasibility of a benefit improvement, we recommend that you consider how events such as market volatility could impact the Plan.

Based on the January 1, 2019 Zone Certification, the Plan's projected Scheduled Cost and Scheduled Cost Margin/(Deficit) as of January 1, 2019 are as follows:

	Total Dollar Basis	Hourly Basis
Scheduled Cost	$10,694,707	$4.73
Projected Contributions	$14,807,889	$6.54
Margin/(Deficit)	$4,135,809	$1.81
Margin/(Deficit) as Percent of Contributions	27.8%	27.8%

The required <u>increases</u> in the hourly <u>Journeyman</u> contribution rate for the two potential benefit changes are shown below at three different long-term interest rate assumptions:

	7.5% Interest	7.25% Interest	6.25% Interest
$1.00 Prospective Increase in Future Accrual Rate Beginning in 2019	3.4¢ per hour	3.5¢ per hour	4.2¢ per hour
$1.00 Retroactive Increase in 2010-2018 Accrual Rates	4.6¢ per hour	4.7¢ per hour	5.4¢ per hour

The cost of each $1.00 increase in accrual rate is "additive". For example, each additional $1.00 increase in the future accrual rate would further increase costs by approximately 3.4 cents per hour, assuming an interest rate of 7.5%.

<u>Assumptions and Methods</u>

Other than changes to the accrual rate as previously described, these calculations were based on the data, methods, assumptions, and plan provisions used in the January 1, 2019 Zone Certification, including the assumption of 1,293 active participants each working 1,750 hours per year and a 7.5% annual market rate of return, unless otherwise indicated.

These calculations were completed under the direction of Judith Goodstein, FSA, MAAA, EA, a member of the American Academy of Actuaries and she is qualified to render the actuarial opinion herein.

Please let us know if you have any questions or wish to discuss further.

cc: Kim Bradley, Esq.
James Estabrook, Esq.
David Jensen

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