

# **ALASKA PLUMBING AND PIPEFITTING INDUSTRY PENSION PLAN**

## **2021 REHABILITATION PLAN UPDATE**

### **April 23, 2021**

#### **Background**

The Pension Protection Act of 2006 (“PPA”) requires an annual actuarial status determination for multiemployer pension plans like the Alaska Plumbing and Pipefitting Industry Pension Plan (the “Plan”). A certification of endangered status or critical status requires specific action from the plan trustees. In March 2019 the Plan actuary certified to the U.S. Department of the Treasury and the Trustees that the Plan elected to enter critical status for the plan year beginning January 1, 2019. This was communicated in April 2019 to all plan participants, participating unions and participating employers.

A plan in critical status must develop and maintain a rehabilitation plan. In general, a rehabilitation plan is comprised of one or more schedules of benefit adjustments and/or contribution increases that will enable the Plan to emerge from critical status over the Rehabilitation Period. However, the Trustees determined that they were unable to adopt a rehabilitation plan that would enable the Plan to emerge from critical status during the Rehabilitation Period using reasonable assumptions. Therefore, the Trustees adopted a rehabilitation plan that reflected reasonable measures to emerge from critical status at a later point, or failing that, to forestall insolvency. This rehabilitation plan was subsequently communicated to all plan participants in May 2019 and was incorporated into the bargaining agreements of all signatory employers’ shortly thereafter.

Once adopted, the Trustees are required to annually review the Plan’s progress, and, if necessary, update the rehabilitation plan.

#### **2021 Review**

At meetings on October 9, 2020 and February 4, 2021, the Plan’s Trustees reviewed the current rehabilitation plan and considered further potential benefit adjustments and contribution increases. The Trustees carefully considered the current economic situation and outlook in Alaska, and what contribution levels the market could be expected to bear in the future. The current recession has led to historically low hours worked in covered employment over the past several decades. There is significant concern that large contribution increases at this time could lead to a further reduction in the Plan’s contribution base, and ultimately the unionized market share in the Plan’s area.

After careful consideration of these and other factors, the Trustees concluded that the 15-year schedule of contribution increases as originally adopted is not compatible with the current economic climate and therefore it was not reasonable to retain the original schedule. At the February 4, 2021 meeting, the Board of Trustees voted to replace the “Contribution Increases” section of Schedule 1 in its entirety with the language below:

#### **Contribution Increases**

Schedule 1 requires a non-accruing increase of \$0.25 per hour to journeyman rates for contracts renewing in 2021. This increase is generally anticipated to be effective for hours worked on or after July 1, 2021, but it is recognized that the effective date in 2021 may differ for contracts with different renewal dates. Increases to non-Journeyman rates may be pro-rated.

The Trustees will consider further contribution increases each year as part of their annual review of the rehabilitation plan, with the goal of improving the health of the pension plan without compromising the Plan’s hours-base. Accordingly, the bargaining parties should anticipate further increases under this schedule as economic conditions allow.