PENSION PLAN UPDATE

From the Board of Trustees
Alaska Plumbing and Pipefitting Industry Pension Plan

April 23, 2021

2020 was a decent year for investments, but a tough year for hours

Enclosed is the Plan's Annual Funding Notice for 2020. As shown on the Notice, the Plan's market value of assets is estimated to have grown from about $228 million to about $233 million during 2020, thanks primarily to an investment return of over 9%. However, hours were low again this year with approximately 920,000 hours reported in 2020 – much lower than our historical average of about 1.3 million.

The American Rescue Plan Act of 2021

The American Rescue Plan Act of 2021 (ARPA) – a $1.9 trillion dollar relief package passed by Congress and signed by the President in March – included elements impacting multiemployer pension plans like ours. The Alaska Plumbing and Pipefitting Industry Pension Plan will likely be eligible for financial assistance under ARPA, but it remains to be seen how much financial assistance we would qualify for, the requirements to receive the assistance, and when the assistance would be provided. Regulations addressing many of the unknowns are required to be issued by the government by mid-July. We will keep you updated as we learn more.

Plan's funding level

The enclosed Annual Funding Notice shows the Plan's funded percentage over the last few years changing from 66% to 62% to 63%. It is important to know that these numbers use an asset value called the "actuarial value of assets," which is used for minimum funding under IRS rules. This value spreads losses over a number of years rather than recognizing them all in the year they happen. The most recent funded percentage in the Notice is also at the *beginning* of the year that just ended – so it's more than a year out of date. The table below shows the Plan's funded percentages on a *market value* basis for the three years shown in the notice, as well as the estimated funded percentage as of January 1, 2021.

Market Value Funded Percentage			
January 1, 2018	January 1, 2019	January 1, 2020	January 1, 2021
64%	56%	63%	59%

As reported previously, we know there will be ups and downs along the way – and we will continue to keep you updated as to the Plan's status each year.

A change to expectations

What's not immediately apparent in the table above is that a key assumption about future experience was changed and is reflected in the estimated January 1, 2021 funded percentage. Effective with the 2020 year-end measurement, the funded percentage is based on expected future investment returns of 6.0% per year, rather than 7.0% per year. The Plan's actuary sets this assumption and made this change to reflect the current outlook of investment experts – who generally expect to see lower returns on average in the future than we've seen in the past.

The assumption for long-term future investment returns is one of the most important inputs into our pension measurements. It's the actuary's job to make sure this assumption remains realistic over time, but it's also in the best interest of our Plan. As we consider the Plan's outlook, it is important that the Plan use an assumption that it is likely to meet or exceed. While this change does not impact the Plan's market value of assets, it does have a significant impact on the funded percentage – the January 1, 2021 market value funded percentage using the 7.0% expectation would have been 65%.

In general, when we beat our investment return assumption (earn more than 6%) we gain ground on our expected progress, and when we miss our assumption (earn less than 6%) we lose ground on our expected progress. However, the hours worked are also a key factor – even if we earn 6%, we will lose ground if hours are less than expected due to the shortfall in contributions. This is discussed further below.

Cash flow challenges and history

Growing the Plan's assets is difficult because we make a significant amount of benefit payments each year. So while we have put a lot of money into the Plan, and made a lot of money in investment earnings, we are also paying out a lot of money each year. The chart below illustrates the change in the Plan's net assets since January 1, 2012.

Change in Assets Since 2012-2020 ($ million)				
Assets at January 1, 2012	Contributions	Investment earnings	Benefit payments & expenses	Assets at January 1, 2021 (estimated)
$214	$104	$138	$(223)	$233

As shown above, while the Plan's assets have grown about $19 million in the past 9 years, the Plan has also paid out approximately $223 million in benefit payments and operating expenses. That's an average of about $25 million a year in retirement benefits to participants!

This Plan has gotten more "mature" over time, meaning there are more inactive participants (retirees and terminated participants) than active working participants. In 2012 there were 1.2 inactives for every active participant, and that number has increased to 1.9 in 2020. This results in less contributions compared to benefit payments.

The rehabilitation plan

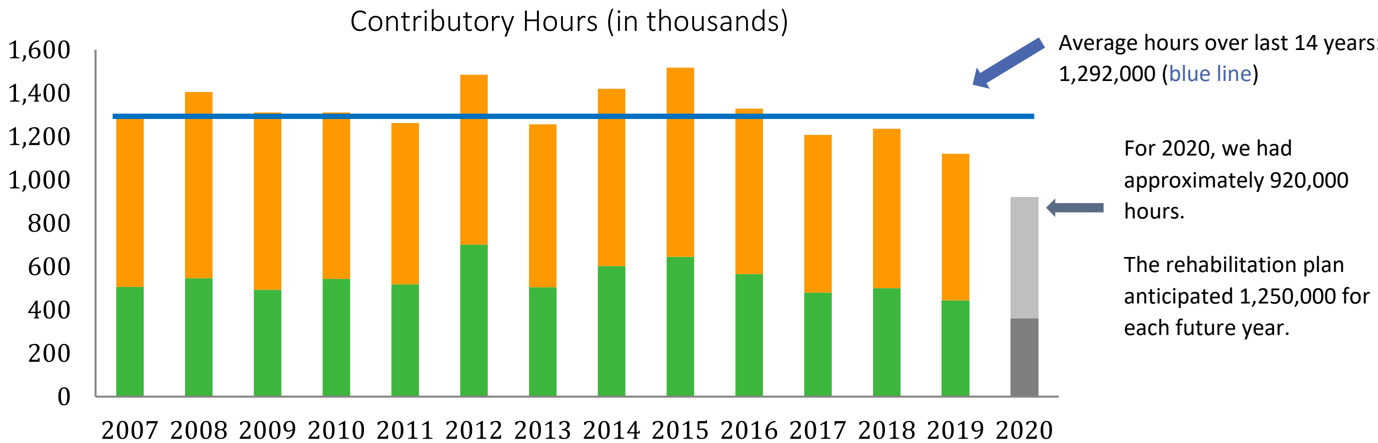
The rehabilitation plan adopted in 2019 is the Board of Trustees' long-term strategy for restoring the Plan's financial health by growing the assets over the next 15-20 years. This is not a quick process, and we know there will be ups and downs along the way. At the end of 2020, we are ahead of where we were projected to be when the rehabilitation plan was established, thanks primarily to two years of good investment returns. But we also continue face a challenging economic environment in Alaska, which was significantly impacted in the last year by the pandemic.

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 is not reasonable to retain the original schedule. In it's place, they have adopted a single increase for contracts renewing in 2021. 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 Plan without compromising the Plan's hours-base.

The absence of any additional specified increases under this schedule is not an indication that no further increases will be required. Instead, it is an indication that the recession in Alaska has made the contribution increases that would otherwise be necessary untenable at this time. Accordingly, further increases should be expected as economic conditions allow.

Every hour worked helps

Investment returns are very important. But, equally important to the success of the rehabilitation plan is the level of hours worked under the Plan. Because contributions only come in on hours worked by the Plan's participants, the rehabilitation plan will not do its job unless we get enough hours. If Alaska's current recession continues, it will significantly impact the Plan's outlook.



As shown above, although we anticipated hours below historical levels when developing the rehabilitation plan, hours for the last two years have been significantly below the assumed level. If hours remain near current levels, the Plan's contributions (and any contribution increases required by the rehabilitation plan) will not have the impact that was anticipated and the Plan's financial outlook will suffer ... even if investment returns meet expectations.

Questions

If you have any questions, please contact the Administration Office:

Labor Trust Services, Inc.
375 W 36th Avenue, Suite 200
Anchorage, Alaska 99503
(907) 561-5119 Toll Free (800) 325-6532

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Alaska Plumbing and Pipefitting Industry Pension Fund

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Administered by
Welfare & Pension Administration Service, Inc.

April 23, 2021

ANNUAL FUNDING NOTICE

FOR THE ALASKA PLUMBING AND PIPEFITTING INDUSTRY PENSION PLAN

Introduction

This notice includes important information about the funding status of your multiemployer pension plan ("the Plan"). It also includes general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. All traditional pension plans (called "defined benefit pension plans") must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is required by federal law.

How Well Funded Is Your Plan

The law requires the administrator of the Plan to tell you how well the Plan is funded, using a measure called the "funded percentage." The Plan divides its assets by its liabilities on the Valuation Date for the plan year to get this percentage. In general, the higher the percentage, the better funded the plan. Your Plan's funded percentage for the Plan Year and each of the two preceding plan years is shown in the chart below. The chart also states the value of the Plan's assets and liabilities for the same period.

Funded Percentage			
	2020	**2019**	**2018**
Valuation Date	January 1, 2020	January 1, 2019	January 1, 2018
Funded Percentage	63%	62%	66%
Value of Assets	$227,177,134	$232,177,039	$242,907,758
Value of Liabilities	$361,397,420	$371,973,944	$368,925,186

Year-End Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date. They also are "actuarial values." Actuarial values differ from market values in that they do not fluctuate daily based on changes in the stock or other markets. Actuarial values smooth out those fluctuations and can allow for more predictable levels of future contributions. Despite the fluctuations, market values tend to show a clearer picture of a plan's funded status at a given point in time. The asset values in the chart below are market values and are measured on the last day of the Plan Year. The chart also includes the year-end market value of the Plan's assets for each of the two preceding plan years.

	December 31, 2020	**December 31, 2019**	**December 31, 2018**
Fair Market Value of Assets	$233,200,000	$228,713,461	$210,089,769

The December 31, 2020 fair market value of assets is an estimate based on unaudited financial information available at the time this notice was prepared. The final audited information on the Plan's assets at December 31, 2020 will be reported on the Plan's Form 5500 for 2020 filed with the U.S. Department of Labor later this year.

Endangered, Critical, or Critical and Declining Status

Under federal pension law, a plan generally is in "endangered" status if its funded percentage is less than 80 percent. A plan is in "critical" status if the funded percentage is less than 65 percent (other factors may also apply). A plan is in "critical and declining" status if it is in critical status and is projected to become insolvent (run out of money to pay benefits) within 15 years (or within 20 years if a special rule applies). If a pension plan enters endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status or critical and declining status, the trustees of the plan are required to adopt a rehabilitation plan. Funding improvement and rehabilitation plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time. The plan sponsor of a plan in critical and declining status may apply for approval to amend the plan to reduce current and future payment obligations to participants and beneficiaries.

The Plan was in critical status for the Plan Year ending December 31, 2020. The plan was considered to be in critical status because it has funding problems or liquidity problems, or both. More specifically, the Plan was in critical status in the prior plan year and had a projected accumulated funding deficiency in the next 10 plan years.

In an effort to improve the Plan's funding situation, the trustees adopted a rehabilitation plan in April 2019 that: reduced certain "adjustable benefits," including early retirement benefits, death benefits, guarantee periods, and optional forms of benefit; and increased, over a fifteen year period of time, the Plan's contribution rates. A notice describing these changes in greater detail was mailed to all participants. You may obtain a copy of the rehabilitation plan, any update to such plan, and the actuarial and financial data that demonstrate any action taken by the Plan toward fiscal improvement by contacting the plan administrator. Your plan administrator is identified below under "Where to Get More Information About Your Plan."

Notification about the Plan's status for the 2021 plan year is provided in a separate notice

Participant Information

The total number of participants and beneficiaries covered by the Plan on the Plan's valuation date was 1,760. Of this number, 614 were current employees, 806 were retired and receiving benefits, and 340 were retired or no longer working for the employer and have a right to future benefits.

Funding and Investment Policies

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The funding policy of the Plan is to confirm that the minimum funding requirements of ERISA are being satisfied and to determine that anticipated employer contributions will not exceed the amounts deductible under the Internal Revenue Code. Each employer makes contributions monthly pursuant to collective bargaining agreements.

Pension plans also have investment policies. These generally are written guidelines or general instructions for making investment management decisions. The investment policy for the Alaska Plumbing and Pipefitting Industry Pension Plan is to obtain a rate of return consistent with the conservation of the Fund's principal. The Fund's assets shall be invested prudently in high-quality investments with due regard for the preservation of capital, diversification, and liquidity. In addition, investments shall be made in accordance with fiduciary standards of ERISA and any applicable plan provisions.

Under the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

Asset Allocations	**Percentage**
Stocks	42.0%
Investment grade debt instruments	29.5%
High-yield debt instruments	2.5%
Real estate	6.3%
Other	19.7%

Right to Request a Copy of the Annual Report

Pension plans must file annual reports with the US Department of Labor. The report is called the "Form 5500." These reports contain financial and other information. You may obtain an electronic copy of your plan's annual report by going to www.efast.dol.gov and using the search tool. Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1515, Washington, DC 20210, or by calling (202) 693-8673. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator. Annual reports do not contain personal information, such as the amount of your accrued benefit. You may contact your plan administrator if you want information about your accrued benefits. Your plan administrator is identified below under "Where to Get More Information."

Summary of Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans that become insolvent, either as ongoing plans or plans terminated by mass withdrawal. The plan administrator is required by law to include a summary of these rules in the annual funding notice. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for that plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available resources. If such resources are not enough to pay benefits at the level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notice of its status to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected, including loss of a lump sum option.

Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. There are separate insurance programs with different benefit guarantees and other provisions for single-employer plans and multiemployer plans. Your Plan is covered by PBGC's multiemployer program. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first $11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next $33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is $35.75 per month times a participant's years of credited service.

Example 1: If a participant with 10 years of credited service has an accrued monthly benefit of $600, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ($600/10), which equals $60. The guaranteed amount for a $60 monthly accrual rate is equal to the sum of $11 plus $24.75 (.75 x $33), or $35.75. Thus, the participant's guaranteed monthly benefit is $357.50 ($35.75 x 10).

Example 2: If the participant in Example 1 has an accrued monthly benefit of $200, the accrual rate for purposes of determining the guarantee would be $20 (or $200/10). The guaranteed amount for a $20 monthly accrual rate is equal to the sum of $11 plus $6.75 (.75 x $9), or $17.75. Thus, the participant's guaranteed monthly benefit would be $177.50 ($17.75 x 10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In addition, the PBGC guarantees qualified preretirement survivor benefits (which are preretirement death benefits payable to the surviving spouse of a participant who dies before starting to receive benefit payments). In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under a plan within 60 months before the earlier of the plan's termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

For additional information about the PBGC and the pension insurance program guarantees, go to the Multiemployer Plan on PBGC's website at www.pbgc.gov/multiemployer. Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See "Where to Get More Information About Your Plan," below.

Where to Get More Information

For more information about this Notice, you may contact the Plan's administrator at:

Welfare & Pension Administration Service, Inc.
P.O. Box 34203
Seattle, WA 98124-1203
(206) 441-7574

For identification purposes, the official plan number is 001 and the plan sponsor's name and employer identification number or "EIN" is the Board of Trustees of the Alaska Plumbing and Pipefitting Industry Pension Plan and 52-6103810.

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