

FOLLOW UP QUESTIONS FOR FUND ADMINISTRATOR

1. Why did the Trustees decide to fund the Improvement Plan at 35%?

The Trustees received an analysis and report from the independent actuary which described the “supplemental contribution” amount needed, under provisions in the Pension Protection Act (PPA), to satisfy a Funding Improvement Plan (FIP) over a period of thirteen years (the permissible timeframe under the PPA). The analysis demonstrated that a supplemental contribution of 35% of the base pension contribution rate would be needed to return the funded percentage of the Plan to at least 82 percent within that timeframe. The Board of Trustees unanimously determined it was in the best interest of all signatory employers and participants to accept a goal of returning to the “green” zone under the FIP, with the ultimate objective of once again achieving 100% funding for the Plan. The adoption of the Funding Improvement Plan was approved by all Management and Labor Trustees to assure appropriate funding, financial integrity and confidence in the Plan by signatory employers and participants.

2. Was a reduction in benefits considered as a solution?

A reduction in benefits was considered as part of the means to achieve the funding objective. Prior to adopting the Funding Improvement Plan, the Board of Trustees adopted an Amendment to the Plan as follows: under the current Plan of Benefits, hourly contributions receive an accrual rate of one percent (1%) and increased contributions after January 1, 2006 receive a two percent (2%) accrual rate on the increased amount. Effective January 1, 2010, these accrual rates were modified. Effective January 1, 2010, the accrual rate will be one half percent (0.5%) of contributions and a one percent (1%) accrual rate on the amount the contributions increase after January 1, 2006. The Funding Improvement Plan, which took into account these reduced benefits, was adopted following approval of this Amendment.

3. Is it possible to take money out of the Annuity Plan to pay for the supplemental contribution?

Yes. Under the terms of most contracts, it is allowable to reallocate annuity payments to the Pension Plan to compensate for all or part of the supplemental contribution. However, this must be executed according to the terms of each contract for each unit.

4. If the Fund reaches green zone funding early, can the increase [in] funds be used for additional benefits, or can it be returned?

When the goals of the Funding Improvement Plan have been satisfied, the Board of Trustees will notify all parties. The Trustees may decide, at that moment in time, to allow benefit accruals on the amounts contributed as “supplemental contributions.” When this occurs, the parties to the labor contract(s) will be free to reallocate the

amount(s) of the supplemental contribution to wages, other funds or leave the supplemental contribution as a continuing contribution to the Pension Fund with benefit accrual. The decision will be made in accord with provisions in the local labor agreement.

5. *What happens if a local CBA doesn't pay the supplemental contribution and doesn't include the default option?*

The default option is automatic. If the supplemental contribution of 35% is not made to the Pension Fund by at least January 1, 2012, the default option will automatically be triggered. This will mean that the existing contribution rate for the employer as of March 1, 2009, will be increased by a surcharge of 15%. Participants working for that particular employer will receive no benefit accrual on these contribution amounts and will not be eligible for disability subsidies, early retirement subsidies or death benefits.

If contributors do not comply with the default option above, the employer will be removed from the Plan and withdrawal liability will automatically be triggered.

6. *Will there be a "sunset" clause in the added contributions?*

The Funding Improvement Plan will continue, under provisions in the Pension Protection Act, for a period of 13 years (effective January 1, 2012) or sooner if its goals are satisfied at an earlier date.

7. *What is the motivation of labor to participate in this Plan?*

Both employers and labor should be motivated to approve this Plan and the 35% supplemental contribution. First, it should be understood that this Funding Improvement Plan is a product of labor management cooperation at the highest level. It was prepared and unanimously approved by a Board of Trustees that was equally represented by employers and union officers. Second, cooperation in collective bargaining, including modification of existing labor agreements where needed, is in the interest of all signatory employers, union leadership and union members. The Funding Improvement Plan, with the supplemental contribution of 35% effective January 1, 2012, contemplates continuation of accrued benefits for all participants for whom the supplemental contribution is received. This includes continuation of disability supplements, early retirement supplements and death benefits. The default option, on the other hand, will require continued contributions with a 15% surcharge by the employer without continuing benefit accrual for the participant, no early retirement subsidies and no death benefits. There is ample motivation on both sides to cooperate and approve the Funding Improvement plan.

8. *How much money could be saved by getting rid of disability, early retirement ... etc.?*

The Trustees cannot reduce accrued benefits to date for participants. It was determined that reducing these benefits *prospectively* would not generate meaningful savings.

9. *What authority does the IUPAT have in ensuring local areas are responsive and participate?*

As noted previously, this is a joint labor management cooperation effort to improve the funding of the Pension Fund. It is in the interest of everyone - employers, local union leaders, members of the union and participants - that all parties cooperate to assure that the objectives of the Funding Improvement Plan are satisfied.

The International Union is working actively with the leaderships of district councils and local unions to provide information, respond to questions and to encourage cooperation among all parties. The IUPAT has received assurances from its representatives that they will be responsive and participate.

10. *If excise money is due through an existing CBA, who is paying the money?*

The supplemental contribution issue is a matter for bargaining by the local parties. If an employer fails to pay the supplemental contribution, an excise tax can be imposed on the employer under provisions in the Internal Revenue Code. This excise tax is payable to the IRS and is the responsibility of the employer.

11. *How was the additional 15%, under the default option, decided upon?*

The default option was based upon an analysis and report by the independent actuary for the Pension Fund. It was determined, based upon this analysis, that the additional 15% surcharge will be required to satisfy funding of accrued benefits and the objectives of the Funding Improvement Plan.

12. *Is the Union contribution commensurate with the increase in costs?*

The amount of the supplemental contribution (35%) is needed to improve the funded percentage of the Pension Fund to 82%.

13. *What is the IUPAT's national responsibility?*

As previously noted, the IUPAT firmly believes that securing the financial integrity of the Pension Fund in these economic times is a matter of the highest priority and a matter that requires the utmost of labor management cooperation. The IUPAT leadership is energetically encouraging all parties, labor and management, to cooperate in this effort as it is in their common interest to do so.

14. Do you know the percentage of the locals that are in the International Fund and who they are?

Approximately 70% of the IUPAT's local unions are participants in the Pension Fund. Attached is a current listing of all US participating district councils and local unions.

15. If we freeze our plan at 2008 status (green) for 2009, what is the next step in 2010 if the Fund does not recover and is in the endangered status as of 2010? (yellow or red)

The Board of Trustees decided *not* to freeze the Plan at the "green" status. This decision was made for a variety of reasons in the interest of all participants in the Fund and their signatory employers. Among the reasons for this decision were: (1) The fact that freezing the fund in the "green" status would require the Board of Trustees to virtually ignore the performance of the investment markets during 2008. The Board of Trustees determined, after considerable analysis and discussion, that it would be irresponsible to do so. (2) If the Fund decided to freeze its 2009 status in the "green" zone, any Funding Improvement Plan that would be adopted and developed in 2010 would not be eligible for the thirteen year amortization period, but would be subject to a ten year amortization period. As a result, any potential "supplemental contribution" required under such a plan could be considerably higher. (3) In order to take the step of freezing the Pension Fund in the "green zone" for 2009, it would require the Board of Trustees to essentially pin all of the Fund's hopes on an immediate recovery in the stock, bond and other investment markets. If this recovery did not occur during 2009, the financial ramifications would be serious and could create a greater distance between the Fund's PPA status in 2010 and the objective of returning to the green zone. For these and other reasons, the Board of Trustees determined that it was in the interest of all parties interested in the health of the Pension Fund to adopt a remedial plan at this time.

16. If there is a Funding Improvement Plan surcharge implemented due to endangered status, who will pay this if there is a current CBA in place at the time the surcharge is mandated? The employer or employee or both?

This is a matter for the parties to the local collective bargaining agreement to negotiate. In the absence of an agreement for the 35% supplemental contribution, the default option will trigger.

17. Once our CBA expires 3/31/12, what are the possible mandated funding increases we could face in its worse case for the employer if no benefits are cut?

It is incumbent upon the parties to the local collective bargaining agreements to address the requirements of the Funding Improvement Plan *prior* to January 1, 2012. If the Funding Improvement Plan supplemental contribution of 35% is not approved and implemented as of that date, the default option will be automatically triggered. In order for no benefits to be cut, and for the default option to be avoided, the supplemental contribution of 35% must be made as of January 1, 2012.

18. *FCA members asked if they could see a copy of the recovery plan that has to be filed with the Department of Labor? Can you forward a copy of that Plan to FCA and we will distribute it to our members?*

The formal papers relating to the Funding Improvement Plan approved by the Board of Trustees are still being prepared. When they are approved and executed, copies of the documents will be provided to the FCA as well as all other interested parties.

19. *What is the plan FYE?*

The Fiscal Year End for the Pension Fund is December 31.

20. *What are the consequences to the Plan participants, contractors and district councils in the event some of the district councils contribute to the “recovery plan” and others choose not to? Or, in the alternative, what happens if the various district councils contribute at different rates?*

The Funding Improvement Plan contemplates the possibility that some district councils/employers in specific areas may not approve the supplemental contribution. Hopefully, this number will be few or none. However, those that do not approve the supplemental contribution of 35% will be subject to the default option. There are no consequences for plan participants, contractors and district councils who have approved the supplemental contribution as required in the Funding Improvement Plan if some others choose not to do so.

21. *What is the benefit to the employer for starting “recovery” contributions now, as opposed to waiting to see what happens with the economy in a few years?*

Supplemental contributions that are received by the Fund earlier than the January 1, 2012 trigger date for the Funding Improvement Plan will receive an accrual rate of 2% for the participant. The benefits for early submission of these contributions are several: for the participant, he/she will receive a higher accrual rate on the additional 35% supplemental contribution for time periods in which the contribution is made prior to January 1, 2012. For the employer and the district council, they will be able to plan in advance and know that their collective bargaining agreements have been appropriately modified to allow for the increased supplemental contribution required under the Funding Improvement Plan. The Funding Improvement Plan has been structured to provide all

bargaining parties sufficient time to deal with the necessary negotiations, financial planning and other issues related to this matter. It is not in the interest of any party to wait until the last minute to see what may happen “with the economy.” The provisions in the Funding Improvement Plan have been approved and are not likely to change based upon current economic outlooks.

22. *What are the funds invested in? Is a full financial report showing all of the Fund’s assets available?*

The Pension Fund’s Form 5500 is available upon request. This document contains a listing of the Fund’s investments as of its filing date.

23. *What were the actuarial assumptions used in this latest study? May we receive a copy?*

Attached are the Actuarial Assumptions and Methods for our Plan.