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BULLETIN

Bulletin No. 149 (General)

To: RAB Members Participating in the Building Service 32BJ Pension Fund

Subject: Financial Status of Building Service 32BJ Pension Fund, and Related Reporting Requirements

Date: September 28, 2018

We are writing to update you regarding the financial status of the Building Service 32BJ Pension Fund (the "Plan"), and provide you with an overview of certain reporting requirements related to your participation as a contributing employer to the Plan.

Financial Status Update

The Plan is required by law to send various notices annually to contributing employers. For example, in late October of 2018 the Plan will send each contributing employer an Annual Funding Notice (for the Plan year beginning July 1, 2017) and a Notice of Critical Status (for the Plan year beginning July 1, 2018). Both notices will indicate that the Plan continues to be in "critical status" (commonly referred to as the "red zone"). We would like to provide you with some context within which to understand this information.

By way of background, the Pension Protection Act of 2006 ("PPA") made sweeping changes to the rules affecting multiemployer defined benefit plans like this one. In particular, financially troubled plans are generally classified into either endangered or critical status. When a plan enters critical status, its board of trustees must adopt and implement a rehabilitation plan to improve plan funding over time. The years 2008 and 2009 were extremely difficult ones for most pension funds due to the financial downturn that affected the U.S. and the global economies. Unfortunately, our Plan was not immune from these economic conditions, and the declining economy resulted in significant decreases in investment returns on the Plan's assets. This adversely affected the funding of our Plan, and was the primary reason for the Plan being considered to be in critical status under the PPA.

However, pension benefits are paid over extended periods of time. Accordingly, yearly fluctuations should be viewed in the context of a long-term funding

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perspective. Our long-term outlook for the Plan is generally positive. As required by the PPA, the Plan's Board of Trustees adopted a rehabilitation plan intended to enable the Plan to emerge from critical status over a 10-year period beginning July 1, 2013. Based on the investment returns the Plan has enjoyed since the adoption of the rehabilitation plan and the continued growth of number of active participants it is expected that the Plan will emerge from "critical status" two years ahead of schedule. The rehabilitation plan calls for an increase in Pension Fund contributions by \$4 per week per year. Currently, the contribution is \$110.75 per week. Given that the RAB has bargained a hard cap for benefit contributions, it is highly unlikely that our members will be required to pay additional sums over the negotiated rates during the life of the current collective bargaining agreements. Accordingly, although you can expect to continue receiving legally required notices reflecting the Plan's critical status, we anticipate that the Plan's funding status should continue to improve in the coming years. Additionally, the Plan's investments have performed very favorably over the past few years, returning approximately 11.71% for the Plan year ending June 30, 2017, approximately 7.2 % for the Plan year ending June 30, 2018 (on an unaudited basis). The long-term anticipated rate of return, as calculated by the actuaries, is 7.5%. We are hopeful that this positive investment trend will continue.

Accordingly, while employers who stop participating in the Plan may be required to pay withdrawal liability (which is their proportionate share of the Plan's unfunded vested benefits), our view is that participating employers who stay the course should see the Plan restored to health over time.

Reporting Requirements

As you may know in September 2011, the Financial Accounting Standards Board ("FASB") issued changes in accounting rules that require enhanced disclosures in financial statements for employers that contribute to multiemployer plans like the Plan. Those rule changes prompted many employers that participate in multiemployer plans to request information from the plans. Many plans, including this Plan, have responded by providing standardized communications to employers containing the relevant information in order to assist the employers and their respective tax advisors when preparing their financial statements.

While we cannot provide you with tax advice and you should consult with your tax advisor in order to understand how the new rules apply to you, we have provided below a brief overview of the most significant rules for information purposes. In particular, an employer is required to disclose in financial statements, among other things, the following information regarding its participation in multiemployer defined benefit pension plans:

- A narrative describing the general nature of multiemployer plans and the employer's participation therein that would indicate how the risks of participating are different from single-employer plans.
- Amount of employer contributions made to each "significant" plan, total contributions to plans that are not significant, and contributions to all plans in the aggregate.
- For each significant plan:

- Identifying information about the plan.
 - The most recent “zone status” of the plan under the Pension Protection Act (or, if not available, whether the plan is less than 65% funded, between 65% and 80% funded, or over 80% funded).
 - Whether the plan is subject to a funding improvement or rehabilitation plan.
 - For nonpublic entities, whether the employer’s contributions represent more than five percent of total contributions to the plan.
 - The expiration date(s) of collective bargaining agreement(s) and the employer’s contribution obligations to the plan.
- A description of the nature and effect of any changes that affect comparability of total employer contributions from period-to-period.

Please visit the Compliance Section of the 32BJ Benefit Funds employer website – 32bjfundsemployers.org – for a portion of the information you need to meet this reporting obligation.

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We understand that notices from the Plan (and what you see in the RAB’s financial statements about the Plan) may lead to some uncertainty and concern, but we are confident that the Board of Trustees has taken significant steps to continue to strengthen the financial status of the Plan, stabilize the contribution obligations for employers, and ensure that it continues to provide valuable benefits for many years to come. If you have any questions or concerns, please do not hesitate to contact the RAB.