

**Annual Funding Notice**  
**For**  
**Division 1181 A.T.U. – New York Employees Pension Fund**

**Introduction**

This notice, which federal law requires all multiemployer plans to send annually, includes important information about the funding level of the Division 1181 A.T.U. - New York Employees Pension Fund, Plan No. 001, EIN 11-6183515 (Plan). This notice also includes information about rules governing insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the plan year beginning September 1, 2007 and ending August 31, 2008 (Plan Year).

**Plan's Funding Level**

The Plan's "funded current liability percentage" for the Plan Year was 79.7%. In general, the higher the percentage, the better funded the plan. The funded current liability percentage, however, is not indicative of how well a plan will be funded in the future or if it terminates. Whether this percentage will increase or decrease over time depends on a number of factors, including how the plan's investments perform, what assumptions the plan makes about rates of return, whether employer contributions to the fund increase or decline, and whether benefits payments from the fund increase or decline.

**Plan's Financial Information**

The market value of the Plan's assets as of September 1, 2007 was \$364,492,402. The total amount of benefit payments for the Plan Year was \$26,419,101. The ratio of assets to benefit payments is 13.8. This ratio suggests that the Plan's assets could provide for approximately 13.8 years of benefit payments in annual amounts equal to what was paid out in the Plan Year. However, the ratio does not take into account future changes in total benefit payments or plan assets.

**Rules Governing Insolvent Plans**

Federal law has a number of special rules that apply to financially troubled multiemployer plans. Under so-called "plan reorganization rules," a plan with adverse financial experience may need to increase required contributions and may, under certain circumstances, reduce benefits that are not eligible for the PBGC's guarantee (generally, benefits that have been in effect for less than 60 months). If a plan is in reorganization status, it must provide notification that the plan is in reorganization status and that, if contributions are not increased, accrued benefits under the plan may be reduced or an

## **ANNUAL FUNDING NOTICE**

### **“ADDITIONAL EXPLANATION”**

The Board of Trustees is required by law to provide you with the above information, in the exact format used. Because the information is difficult to understand and possibly misleading, the Trustees would like to provide you with this further explanation.

The law requires that, for the purposes of the above notice, the Fund’s “funded current liability percentage” be based on an assumed rate of future investment returns of 5.86%. However, the long term interest assumptions actually used by the Fund, to comply with federal law minimum funding requirements, result in a notably higher funding ratio of 101.2% for the Fund. In contrast to the 5.86% rate required to be used for demonstrative purposes in the above notice, the Board of Trustees believes that the long-term assumptions used by the Fund more appropriately reflect the ongoing nature of the Fund and its investments.

The above notice also suggests that the Fund will be able to make approximately 13.8 years of benefit payments in annual amounts equal to what was paid out during the plan year. However, this calculation does not take into account the future contributions that employers and employees are required to make to the Fund (there were \$35.6 million in employer and employee contributions made from September 1, 2007 to August 31, 2008), earnings on Fund investments, or changes to the Plan, all of which may significantly change the ratio of Fund assets to benefit payments. Because the above notice does not factor in this information, the estimate provided in the notice does not necessarily provide an accurate reflection of the Fund’s ability to pay promised benefits in the future.

Finally, as required by law, the above notice also discusses insolvent multiemployer funds and the PBGC benefit guarantees. However, the fact that this language must be included in the notice does not mean that it will ever apply to this Fund. The applicability of such provisions depends on many factors.

excise tax may be imposed (or both). The law requires the plan to furnish this notification to each contributing employer and the labor organization.

Despite the special plan reorganization rules, a plan in reorganization nevertheless could become insolvent. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for the plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available financial resources. If such resources are not enough to pay benefits at a level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC, by law, 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 notification of the insolvency 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 as a result of the insolvency, including loss of a lump sum option. This information will be provided for each year the plan is insolvent.

## **Benefit Payments Guaranteed by the PBGC**

The maximum benefit that the PBGC guarantees is set by law. Only vested benefits are guaranteed. 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 \$500, 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 ( $\$500/10$ ), which equals \$50. The guaranteed amount for a \$50 monthly accrual rate is equal to the sum of \$11 plus \$24.75 ( $.75 \times \$33$ ), or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 ( $\$35.75 \times 10$ ).

*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 ( $.75 \times \$9$ ), or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 ( $\$17.75 \times 10$ ).

In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the plan within 60 months before the earlier of the plan's termination or insolvency. Similarly, the PBGC does not guarantee pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, 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.

### **Where to Get More Information**

For more information about this notice, you may contact the Board of Trustees, c/o Vincent Zito, Controller, Division 1181 A.T.U. – New York Employees Pension Fund, 101-49 Woodhaven Boulevard, Ozone Park, N.Y. 11416, (718) 845-5800. For more information about the PBGC and multiemployer benefit guarantees, go to PBGC's web site, [www.pbgc.gov](http://www.pbgc.gov), or call PBGC toll-free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).

**Si usted tiene dificultad entendiendo cualquier parte de este material, contacte a la oficina del Fondo.**

**Si-ou ta gen problèm pou konpran kinpot pati nan dokiman sa-a, kontakté Fund Office.**