Bolton
Employee Benefits, Actuarial & Investment Consulting

May 11, 2021

Board of Trustees
Waterfront Warehouses Local 1429 Pension Fund
c/o Mr. Dave Jensen
Associated Administrators, LLC
911 Ridgebrook Road
Sparks, MD 21152-9451

Re: Waterfront Warehouses Local 1429 Pension Fund – Benefit Improvement Study

Dear Trustees:

During the Board meeting on February 17, 2021, we were asked to perform a study to estimate the impacts of various benefit improvement options being considered by the Trustees. Options discussed at the meeting were:

- Increasing the benefit multiplier for Active participants (currently $70 per year of service)
- Increase benefits for in-pay status participants by 3%
- Allow for early unreduced benefits for ages down to age 62
- Allow for a 30 and out unreduced benefit option

In addition to the above benefit improvement options, we were also asked to estimate withdrawal liability under the Plan. Currently, there are no unfunded vested benefits under the plan; however, since there is only one contributing employer, a withdrawal would result in mass withdrawal under the law and would require use of PBGC assumptions in valuing the Plan's vested benefit liability. This may result in unfunded vested benefits for withdrawal liability purposes. We have looked into this for the Board and present those results later in this letter.

Benefit Improvement Options

We estimated the impact that the following benefit improvement scenarios would have on the funded status of the Plan. Attached to this letter are charts showing projections of the funded percentage and credit balance under each benefit improvement scenario. For comparison purposes, we have also shown the same projections under the "baseline" scenario, which assumes no benefit changes to the Plan.

Scenario 1 - $75 Multiplier and 3% Increase for Pensioners

This scenario contemplates an increase in the benefit multiplier from $70 to $75 for all years of service for Active participants, and a 3% benefit increase for in-pay status participants.

Scenario 2 - $80 Multiplier and 3% Increase for Pensioners

This scenario is similar to Scenario 1 but contemplates an increase in the benefit multiplier from $70 to $80 for all years of service for Active participants.

Scenario 3 – Early Unreduced and 3% Increase for Pensioners

This scenario contemplates early unreduced benefits for Active participants who retire after attaining Age 62 with at least 10 years of service. It also assumes a 3% benefit increase for in-pay status participants.

Scenario 4 – Early Unreduced with 30 & 55 and 3% Increase for Pensioners

This scenario is similar to Scenario 3 but also allows Active participants to retire with unreduced benefits after attaining Age 55 with at least 30 years of service.

Cost Analysis

As can be seen in the attached exhibits, Scenario 4 has the greatest cost (most adverse effect on the Plan's funded status) while Scenario 1 has the lowest cost (least adverse effect on the Plan's funded status). Scenarios 2 and 3 have similar costs that fall between that of Scenario 1 and Scenario 4. This is true regarding both the funded percentage projections and the credit balance projections.

To estimate a cost for each of the benefit improvement scenarios, we calculated an annual cost by amortizing the increase in actuarial accrued liability over a 15-year period, then adding the increase in the normal cost to the amortization amount. The January 1, 2021 census data for the Plan contains 49 Active participants who worked a total of 82,931 hours during the 2020 plan year. We then divided the total annual cost by the number of hours worked during 2020 to arrive at a cost per hour. The following table shows these cost estimates.

Scenario	Increase in Liability	15-Year Amortization	Increase in Normal Cost	Annual Cost	Cost per Hour
Baseline	N/A	N/A	N/A	N/A	N/A
Scenario 1	436,029	43,543	6,496	50,039	$0.60
Scenario 2	812,938	81,181	12,992	94,173	$1.14
Scenario 3	890,190	88,896	11,332	100,228	$1.21
Scenario 4	1,672,346	167,003	13,917	180,920	$2.18

The above costs are merely estimated amounts in order to fully pay for the benefit improvements analyzed in this study. Given that the Plan is over 100% funded, some or all of the Plan's surplus could be used to pay for benefit improvements without increasing the contribution rate.

Without increasing contribution rates, Scenarios 1 through 3 are feasible. There are no projected funding deficiencies with any of those three scenarios. Under Scenario 1, the Plan is also expected to maintain a funded percentage above 100%. Under Scenarios 2 and 3, the funded percentage will dip just below 100%, but is expected to return to above 100% within a year or two. Without increasing contribution rates, we do not view Scenario 4 as being feasible. Under this scenario, the Plan has an expected funding deficiency in the year 2033. Additionally, the funded percentage dips to about 90% and is not expected to return to 100% until 2036.

Withdrawal Liability

To look at withdrawal liability, we have run projections using PBGC interest rate and mortality assumptions assuming no changes to the current plan benefits. The PBGC interest rates for a January 1, 2021 valuation are 1.69% for the first 20 years and 1.66% beyond 20 years. The present value of vested benefits as of January 1, 2021 is $15,252,262. The market value of assets is $9,299,828. This results in unfunded vested benefits in the amount of $5,952,434.

Actuarial Methods and Assumptions

For Scenarios 1 and 2 we used the same methods and assumptions as were used for the January 1, 2020 actuarial valuation. For Scenarios 3 and 4 we assumed that Active participants would retire as soon as they were eligible for an unreduced benefit. All other methods and assumptions are the same as for the January 1, 2020 actuarial valuation.

Census Data

The census data used for this study is preliminary data that will be used for the January 1, 2021 actuarial valuation. While we do not expect changes to the census data, it is possible that some data could be revised prior to the finalization of the actuarial valuation.

Sincerely,

Timothy D. Boles

Timothy D. Boles, ASA, EA

Benefit Improvement Study Exhibits