
Industry and Local 338 Pension Fund

**Actuarial Certification for the Plan Year
Beginning July 1, 2020**

September 25, 2020



Atlanta ■ Cleveland ■ Denver ■ Irvine ■ Los Angeles
Miami ■ San Diego ■ San Francisco ■ Washington, D.C.

Purpose and Actuarial Statement

This report provides the status certification of the Industry and Local 338 Pension Fund (the “Plan”) as required under section 432(b)(3) of the Internal Revenue Code (the “Code”) for the plan year beginning July 1, 2020 (the “2020 Plan Year”).

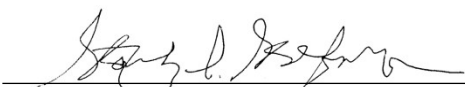
Under section 432(b)(3) of the Code, the plan actuary of a multiemployer pension plan is required to certify the plan’s status (endangered, seriously endangered, critical, critical and declining, or none of the above) to the Secretary of the Treasury and the plan sponsor no later than the 90th day of the plan year. For plans that were certified as in endangered or critical status for the previous plan year and have begun either the funding improvement or rehabilitation period (respectively), the plan actuary must also certify whether the plan is making scheduled progress in meeting the requirements of its funding improvement or rehabilitation plan.

In preparing this report, we have relied upon information and data provided to us by the Plan administrator and other persons or organizations designated by the Plan. We did not perform an audit of the financial and participant census data provided to us, but we have reviewed the data for reasonableness for the purpose of the certification. We have relied on all of the information provided, including plan provisions and asset information, as complete and accurate.

In our opinion, all methods, assumptions and calculations used in this certification are in accordance with requirements of the Code and the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended by the Pension Protection Act of 2006 (“PPA”), the Pension Relief Act of 2010 (“PRA 2010”), and the Multiemployer Pension Reform Act of 2014 (“MPRA”). Further, in our opinion, the procedures followed and presentation of results are in conformity with generally accepted actuarial principles and practices.

This report is based on actuarial calculations that require assumptions about future events. We believe that the assumptions and methods used in this report are reasonable and appropriate for the purposes for which they have been used. However, other assumptions and methods could also be reasonable and could result in materially different results. The Plan sponsor was responsible for the selection of the actuarial cost and asset valuation methods for purposes of this certification. The Plan sponsor also provided information regarding the levels of projected industry activity and future contribution levels, which was used in performing the actuarial projections required for this certification.

The undersigned consultants of Horizon Actuarial Services, LLC with actuarial credentials meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. There is no relationship between the Plan sponsor of the Industry and Local 338 Pension Fund and Horizon Actuarial Services, LLC that affects our objectivity.



Stanley I. Goldfarb, FSA, EA, MAAA
Actuary and Managing Consultant



Mary Ann Dunleavy, ASA, EA, MAAA
Consulting Actuary

Table of Contents

	Page
1. Certification Results	
Certification Results	1
Notice Requirements	2
2. Certification Explanation	
Endangered Status	3
Critical Status	4
Election to be in Critical Status	4
Critical and Declining Status	5
Scheduled Progress	5
3. Certification Calculations	
Exhibit 1 – Endangered Status Tests	6
Exhibit 2 – Critical Status Tests	7
Exhibit 3 – Projection of Funded Percentage and Funding Standard Account	8
Exhibit 4 – Critical and Declining Status Tests	9
4. Actuarial Basis	10

Actuarial Certification of Plan Status

Certification e-mailed to Internal Revenue Service

1. Certification Results

Certification Results

Under section 432(b)(3) of the Code, the plan actuary of a multiemployer pension plan is required to perform an annual, two-part certification to the Secretary of the Treasury and the plan sponsor. The certification must be made no later than the 90th day of the plan year.

The two parts to the certification are described below.

- Section 432(b)(3)(A)(i): whether or not the plan is in endangered status for such plan year, or would be in endangered status if not for a special rule; whether or not the plan is or will be in critical status for such plan year or for any of the succeeding 5 plan years; and whether or not the plan is or will be in critical and declining status for such plan year, and
- Section 432(b)(3)(A)(ii): in the case of a plan which is in a funding improvement or rehabilitation period, whether or not the plan is making the scheduled progress in meeting the requirements of its funding improvement or rehabilitation plan.

Under sections 432(e)(4)(B) and 432(b)(4)(C) of the Code, for a critical status plan to emerge from critical status, it must satisfy the emergence criteria. Once a critical status plan emerges, it will not be considered in critical status as long as it continues to satisfy the emergence criteria.

The key results for the certification for the 2020 Plan Year are summarized below.

Section 432(b)(3): Annual Certification by Plan Actuary – Certification Results

Plan Year Beginning July 1, 2020

Section 432(b)(3)(A)(i): Certification Status

Green Zone

Section 432(b)(1): The Plan is not in endangered status for the current plan year.

Section 432(b)(5): The special rule under section 432(b)(5) does not apply for the current plan year.

Section 432(b)(2): The Plan is not in critical status for the current plan year.

Section 432(b)(4): The Plan is not projected to be in critical status in the succeeding 5 plan years.

Section 432(b)(6): The Plan is not and will not be in critical and declining status for the current plan year.

Section 432(b)(3)(A)(ii): Scheduled Progress

N/A

As shown above, the Plan is neither in endangered status nor in critical status for the 2020 Plan Year. In other words, the Plan is in the “green zone” for the 2020 Plan Year.

Explanations of the certification results and the key calculations used in performing the certification are included in later sections of this report.

1. Certification Results

Notice Requirements

Under section 432(b)(3)(D) of the Code, the sponsor of a multiemployer plan that is certified in endangered or critical status for a plan year must provide notification of the endangered or critical status to participants and beneficiaries, the bargaining parties, the Pension Benefit Guaranty Corporation (“PBGC”), and the Secretary of Labor. Such notice must be provided not later than 30 days after the date of the certification.

The notice requirement also applies to a plan sponsor that elects to be in critical status under the special rule described in section 432(b)(4). If a plan sponsor elects to be in critical status under the special rule described in section 432(b)(4), it must notify the Secretary of Treasury of such election not later than 30 days after the date of certification.

In the case of a plan that would be in endangered status if not for the special rule described in section 432(b)(5), the plan sponsor must provide notification to the bargaining parties and the PBGC that the plan would be in endangered status if not for the special rule.

In the case of a plan that is projected to be in critical status in any of the 5 succeeding plan years (but not for the current plan year) and the plan sponsor has not made an election to be in critical status for the plan year, the plan sponsor must provide notification of the projected critical status to the PBGC not later than 30 days after the date of certification.

The Secretary of Treasury and Secretary of Labor have prescribed a model notice to satisfy the notification requirements described above. The model notice can be found at the Department of Labor website: <https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/public-disclosure/critical-status-notices/>.

Because the Plan is in the “green zone” for the 2020 Plan Year, the special rule under section 432(b)(5) does not apply, and the Plan is not projected to be in critical status in any of the 5 succeeding plan years, the Board of Trustees is not required to provide the notifications described above.

2. Certification Explanation

This section of the report includes explanations of the different certification results. Explanations are shown separately for endangered status, critical status, critical and declining status (if applicable), and making scheduled progress to the funding improvement or rehabilitation plan (if applicable).

Endangered Status

Under section 432(c) of the Code, the sponsor of a multiemployer plan in endangered status must adopt a funding improvement plan to enable the plan to attain certain funding benchmarks.

Under section 432(b)(1), a plan is in “endangered” status for the plan year if it is not in critical status (as defined in section 432(b)(2)) and if at least one of two following tests is met. If both tests are met, the plan is considered to be in “seriously endangered” status. See Exhibit 1 for applicable calculations.

- Section 432(b)(1)(A): its funded percentage is less than 80%; or
- Section 432(b)(1)(B): it is projected to have an accumulated funding deficiency in its funding standard account in the current plan year or succeeding 6 plan years, taking into account any extensions of amortization periods under section 431(d).

Notwithstanding the above, under a special rule in section 432(b)(5), a plan is not in endangered status for the current plan year if the plan actuary certifies that the plan is projected, as of the end of the tenth plan year ending after the current plan year, to have a funded percentage that is at least 80% and no projected funding deficiencies for the tenth plan year and succeeding six plan years. This special rule applies only to plans that were in the “Green Zone” in the preceding plan year. In other words, under the special rule, if a plan was in the Green Zone for the preceding plan year, and it is projected to be in the Green Zone at the end of the tenth succeeding plan year, it is considered to be in the Green Zone for the current plan year.

The Plan is not in endangered status for the 2020 Plan Year because its funded percentage is at least 80% and it is not projected to have an accumulated funding deficiency in the current or next 6 plan years, taking into account any extensions of amortization periods under section 431(d). The special rule under section 432(b)(5) does not apply.

2. Certification Explanation

Critical Status

Under section 432(e) of the Code, the sponsor of a multiemployer plan in critical status must adopt a rehabilitation plan to enable the plan to emerge from critical status within a given timeframe or, under certain circumstances, to avoid or forestall insolvency.

Under section 432(b)(2), a plan is in “critical” status for the plan year if at least one of four following tests are met. See Exhibit 2 for applicable calculations.

- Section 432(b)(2)(A): the plan’s funded percentage is less than 65% and the plan is projected to go insolvent in the current or next 6 plan years;
- Section 432(b)(2)(B): the plan is projected to have an accumulated funding deficiency in the current or next 3 plan years (current or next 4 plan years if the funded percentage is less than 65%), disregarding any extension of amortization periods under section 431(d);
- Section 432(b)(2)(C): the plan’s normal cost for the plan year plus interest on the unfunded accrued liability exceeds the present value of reasonably anticipated employer contributions for the plan year, the present value of non-forfeitable benefits for inactive participants exceeds the present value of non-forfeitable benefits for active participants, and the plan is projected to have an accumulated funding deficiency in the current or next 4 plan years, disregarding any extension of amortization periods under section 431(d); or
- Section 432(b)(2)(D): the plan is projected to go insolvent in the current or next 4 plan years.

For a critical status plan to emerge from critical status, it must satisfy the emergence criteria described in section 432(e)(4)(B) of the Code. The emergence criteria include that the plan is not projected to have a funding deficiency in the current or next 9 plan years, taking into account certain amortization extensions (if applicable), and that the plan is projected to remain solvent for the next 30 years. Once a critical status plan emerges, it will not be considered in critical status as long as it continues to satisfy the emergence criteria.

The Plan is not in critical status for the 2020 Plan Year because none of the applicable tests under section 432(b)(2) are met. Specifically, the Plan is not projected to have a funding deficiency in the current or next 9 plan years and it is not projected to go insolvent and has therefore emerged from Critical Status under section 432(e)(4)(B).

Election to be in Critical Status

Under section 432(b)(4), the sponsor of a multiemployer plan that is not in critical status for the current plan year but that is projected to be in critical status in any of the next 5 plan years may elect to be in critical status for the current plan year. The election must be made not later than 30 days after the date of the certification of status.

The Plan is not in critical status for the 2020 Plan Year, and it is not projected to be in critical status within the next 5 plan years. Therefore, the Board of Trustees cannot elect to be in critical status for the 2020 Plan Year.

2. Certification Explanation

Critical and Declining Status

Under section 432(e)(9) of the Code, the sponsor of a multiemployer plan in critical and declining status may suspend benefits which the sponsor deems appropriate, including certain benefits that would otherwise be protected, if the benefit suspensions would enable the plan to avoid insolvency.

Under section 432(b)(6), a plan is in “critical and declining” status for the plan year if it is in critical status and it is projected to go insolvent within the current or next 14 plan years. The solvency projection period is the current or next 19 plan years if the plan’s ratio of inactive participants to active participants exceeds 2 to 1 or if its funded percentage is less than 80%.

For purposes of determining whether a plan is in critical and declining status, projections by the plan actuary shall assume that each contributing employer is currently in compliance with the adopted rehabilitation plan and will continue to be in compliance. In other words, projections by the plan actuary shall reflect future contribution rate increases from the adopted rehabilitation plan, even if those increases are scheduled after the expiration of the collective bargaining agreements currently in effect.

The Plan is not in critical status for the 2020 Plan Year. Therefore, it is also not in critical and declining status for the 2020 Plan Year.

Scheduled Progress

Under section 432(b)(3)(A)(ii) of the Code, in the case of a plan which is in a funding improvement or rehabilitation period, the plan actuary shall certify whether the plan is making scheduled progress in meeting the requirements of its adopted funding improvement or rehabilitation plan.

The Plan is in the “green zone” for the 2020 Plan Year, and it therefore is not operating under a funding improvement plan or rehabilitation plan. Therefore, this section does not apply.

3. Certification Calculations

The following tables summarize the key measures that were used in performing the certification of status. All figures below were determined under the methods prescribed by section 432(b)(3)(B) of the Code. Projections of assets and liabilities were based on data, assumptions, methods, and plan provisions that were used in the Plan's actuarial valuation as of July 1, 2019. See the description of the actuarial basis (later in this report) for more information.

Exhibit 1 below summarizes the key measures used in determining whether or not the Plan is in endangered status for the current plan year. The exhibit shows the basic tests for determining endangered status under PPA, as defined in section 432(b)(1) of the Code. See Exhibit 3 for a projection of the funding standard account.

Exhibit 1 – Endangered Status Tests

Section 432(b)(1): Endangered Status

Plan Year Beginning July 1, 2020

Section 432(b)(1)(A) measures:

Valuation interest rate	7.25%
Actuarial value of assets	\$ 94,457,547
Actuarial accrued liability under unit credit cost method	\$ 106,138,299
Funded percentage [threshold = 80.0%]	88.9%

Section 432(b)(1)(B) measures:

First projected funding deficiency within current or next six plan years	None
<i>Reflecting extensions of amortization periods under section 431(d)</i>	

3. Certification Calculations

Exhibit 2 summarizes the key measures used in determining whether or not the Plan is in critical status for the current plan year. The exhibit shows the basic tests for determining critical status under PPA, as defined in section 432(b)(2) of the Code. Also shown is information about whether the Plan is projected to be in critical status for the succeeding 5 plan years, and therefore eligible to elect to be in critical status for the current plan year under MPRA, as defined in section 432(b)(4). See Exhibit 3 for a projection of the funding standard account.

Exhibit 2 – Critical Status Tests

Section 432(b)(2): Critical Status		Plan Year Beginning July 1, 2020	
Section 432(b)(2)(A) measures:			
Funded percentage [threshold = 65.0%]			88.9%
First projected date of insolvency within current or next six plan years			None
Section 432(b)(2)(B) measures:			
Funded percentage [threshold = 65.0%]			88.9%
First projected funding deficiency within current or next three plan years			None
Disregarding extensions of amortization periods under section 431(d)			
Section 432(b)(2)(C) measures:			
Normal cost (unit credit cost method, with interest to end of plan year)	\$	1,383,772	
Interest on unfunded actuarial accrued liability to end of plan year		846,855	
Expected contributions during plan year (with interest to end of plan year)		3,254,192	
Present value of non-forfeitable benefits for active participants		13,865,194	
Present value of non-forfeitable benefits for inactive participants		91,558,137	
First projected funding deficiency within current or next four plan years			None
Disregarding extensions of amortization periods under section 431(d)			
Section 432(b)(2)(D) measures:			
First projected date of insolvency within current or next four plan years			None
Section 432(e)(4)(B) measures:			
Critical status in the prior plan year			No
First projected funding deficiency within current or next nine plan years			None
Reflecting extensions of amortization periods under section 431(d), if any			
First date of insolvency within any of the 30 succeeding plan years			None
Reflecting contribution rates in current collective bargaining agreement(s)			
Section 432(b)(4): Election to be in Critical Status		Plan Year Beginning July 1, 2020	
		Plan Year	Projected
Projected status certifications:		Beginning	Status
Current plan year		7/1/2020	Green Zone
First succeeding plan year		7/1/2021	Green Zone
Second succeeding plan year		7/1/2022	Green Zone
Third succeeding plan year		7/1/2023	Green Zone
Fourth succeeding plan year		7/1/2024	Green Zone
Fifth succeeding plan year		7/1/2025	Green Zone
The Plan is not projected to be in critical status within the next 5 plan years.			
As a result, the election to be in critical status does not apply.			

3. Certification Calculations

Exhibit 3 shows the projected funding percentage and projected funding standard account for the current and succeeding 9 plan years. Preliminary figures for the prior plan year are shown for reference.

Exhibit 3 – Projection of Funding Standard Account

Funding Standard Account Projection

		<u>Funding Standard Account Charges</u>		<u>Funding Standard Credits</u>		<u>Credit Balance or (Funding Deficiency)</u>
	<u>Plan Year Ending</u>	<u>Normal Cost</u>	<u>Other Charges</u>	<u>Contributions</u>	<u>Other Credits</u>	
PY	6/30/2020	1,343,500	8,976,468	5,835,959	4,830,932	14,391,340
CY	6/30/2021	1,290,231	9,015,068	3,140,353	4,767,958	11,994,352
1	6/30/2022	1,314,028	9,047,088	3,185,486	4,592,329	9,411,051
2	6/30/2023	1,314,501	9,214,258	3,187,264	4,405,102	6,474,658
3	6/30/2024	1,327,246	9,302,688	3,187,264	4,192,217	3,224,205
4	6/30/2025	1,353,237	4,722,645	3,187,264	3,945,793	4,281,380
5	6/30/2026	1,360,606	4,620,621	3,187,264	3,658,917	5,146,334
6	6/30/2027	1,374,653	4,573,946	3,187,264	3,310,874	5,695,873
7	6/30/2028	1,401,696	4,454,353	3,187,264	3,350,719	6,377,807
8	6/30/2029	1,423,963	4,424,064	3,187,264	3,116,164	6,833,208
9	6/30/2030	1,433,702	4,424,775	3,187,264	2,622,212	6,784,207

"PY" = preceding plan year; "CY" = current plan year

3. Certification Calculations

Exhibit 4 summarizes the key measures used in determining whether or not the Plan is in critical and declining status. For purposes of determining whether a plan is in critical and declining status, projections by the plan actuary shall assume that each contributing employer currently in compliance with the adopted rehabilitation plan will continue to be in compliance.

Exhibit 4 – Critical and Declining Status Tests

Section 432(b)(6): Critical and Declining Status

Plan Year Beginning July 1, 2020

Certification status	Green Zone
Number of inactive participants	N/A
Number of active participants	N/A
Ratio of inactive participants to active participants	N/A
Funded percentage (threshold = 80.0%)	N/A
Solvency projection period (years)	N/A
Projected date of insolvency	N/A

4. Actuarial Basis

As required under section 432(b)(3)(B) of the Code, this certification is based on actuarial projections for the current and succeeding plan years for the current value of Plan assets and Plan liabilities related to participants and beneficiaries covered under the Plan. The projections are based on reasonable actuarial estimates, assumptions, and methods that (except as noted below) offer the actuary's best estimate of anticipated experience under the Plan.

Most Recent Actuarial Valuation

For this certification, for the 2020 Plan Year, projections of Plan liabilities are based on the actuarial valuation as of July 1, 2019. Except as otherwise noted, the actuarial assumptions and methods used in the July 1, 2019 actuarial valuation, including a valuation interest rate assumption of 7.25%, are the same as those used in this certification.

The demographic actuarial assumptions used in the actuarial valuation and this certification were developed based on a review of past experience and anticipated future experience for the Plan, given the particular characteristics of the Plan's participant population. The valuation interest rate was selected based on consideration of the Plan's investment policy, asset allocation, and the results of the 2019 edition of the Survey of Capital Market Assumptions by Horizon Actuarial Services, LLC.

Projection of Plan Assets

The actuarial value of assets was projected to each succeeding plan year by assuming that the investment return on the underlying market value of assets will equal the valuation interest rate assumption of 7.25% for each year in the future. The preliminary estimate of the market value of assets as of June 30, 2020 was based on information provided in draft financial statements for the plan year ended June 30, 2020, prepared by the Plan's auditor.

Projection of Covered Employment and Contributions

The projection of Plan assets is also based on a projection of covered employment and employer contributions for the current and succeeding plan years. The projection of industry activity (or, covered employment levels) is based on information provided in good faith by the Board of Trustees. It was assumed that there will be 10,000 total weeks worked by active participants in the current and each succeeding plan year. Projections of employer contributions reflect weekly rates agreed to in collective bargaining agreements in effect as of July 1, 2020.

Projection of Plan Liabilities

The projection of Plan liabilities was performed using an open-group, roll-forward technique. Each year, the liability of the Plan is assumed to increase due to a decrease in the period of discounting and decrease by the value of expected benefit payments made to participants. Additionally, Plan liabilities are assumed to increase each year by the amount of benefits accrued by active participants and anticipated operating expenses (Normal Cost).

For projection purposes, hypothetical new entrants were added to the population to achieve the expected level of projected industry activity, which was developed based on information provided by the Plan sponsor. The demographic characteristics of the assumed new entrants were developed based on a review of new participants under the Plan in recent years.

Actuarial Certification of Plan Status

Plan Name: Industry and Local 338 Pension Fund
EIN / PN: 51-6126649 / 001
Plan Sponsor: Board of Trustees of Industry and Local 338 Pension Fund
c/o Associated Administrators, LLC
911 Ridgebrook Road | Sparks, MD 21152 | (410) 683-6500
Plan Year: Beginning July 1, 2020 and Ending June 30, 2021
Certification Results:

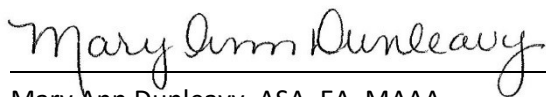
- Neither in endangered status nor in critical status ("green zone")
- Special rule under section 432(b)(5) does not apply
- Not projected to be in critical status in the succeeding 5 plan years
- Not in Critical and Declining status

This is the annual certification by the Plan Actuary as required under section 432(b) of the Internal Revenue Code (the "Code") for the above-named multiemployer plan (the "Plan") and plan year (the "Plan Year"). For the Plan Year, the Plan is neither in endangered status nor in critical status.

This certification was performed based upon actuarial projections of assets and liabilities for the current and succeeding plan years, as described under section 432(b)(3)(B). These projections are based on reasonable actuarial estimates, assumptions, and methods that offer my best estimate of anticipated experience under the Plan. The projected Plan liabilities as of the beginning of the Plan Year were determined based on a projection of the actuarial valuation of the Plan as of July 1, 2019. The projection of Plan assets is based on a preliminary estimate of the market value of assets as of June 30, 2020, provided by the Plan's auditor, and the assumption that future net investment returns will be 7.25% per year, beginning July 1, 2020.

This certification is also based on projections of industry activity, including future covered employment and contribution levels, based on information provided in good faith by the Plan Sponsor. This certification assumes that the current terms of the collective bargaining agreements under which contributions are made to the Plan will remain in effect for all succeeding plan years.

Certified by:



Mary Ann Dunleavy, ASA, EA, MAAA
Horizon Actuarial Services, LLC
8601 Georgia Avenue, Suite 700
Silver Spring, MD 20910

Phone Number: (240) 247-4600
Enrollment Number: 20-08148
Date: September 25, 2020