

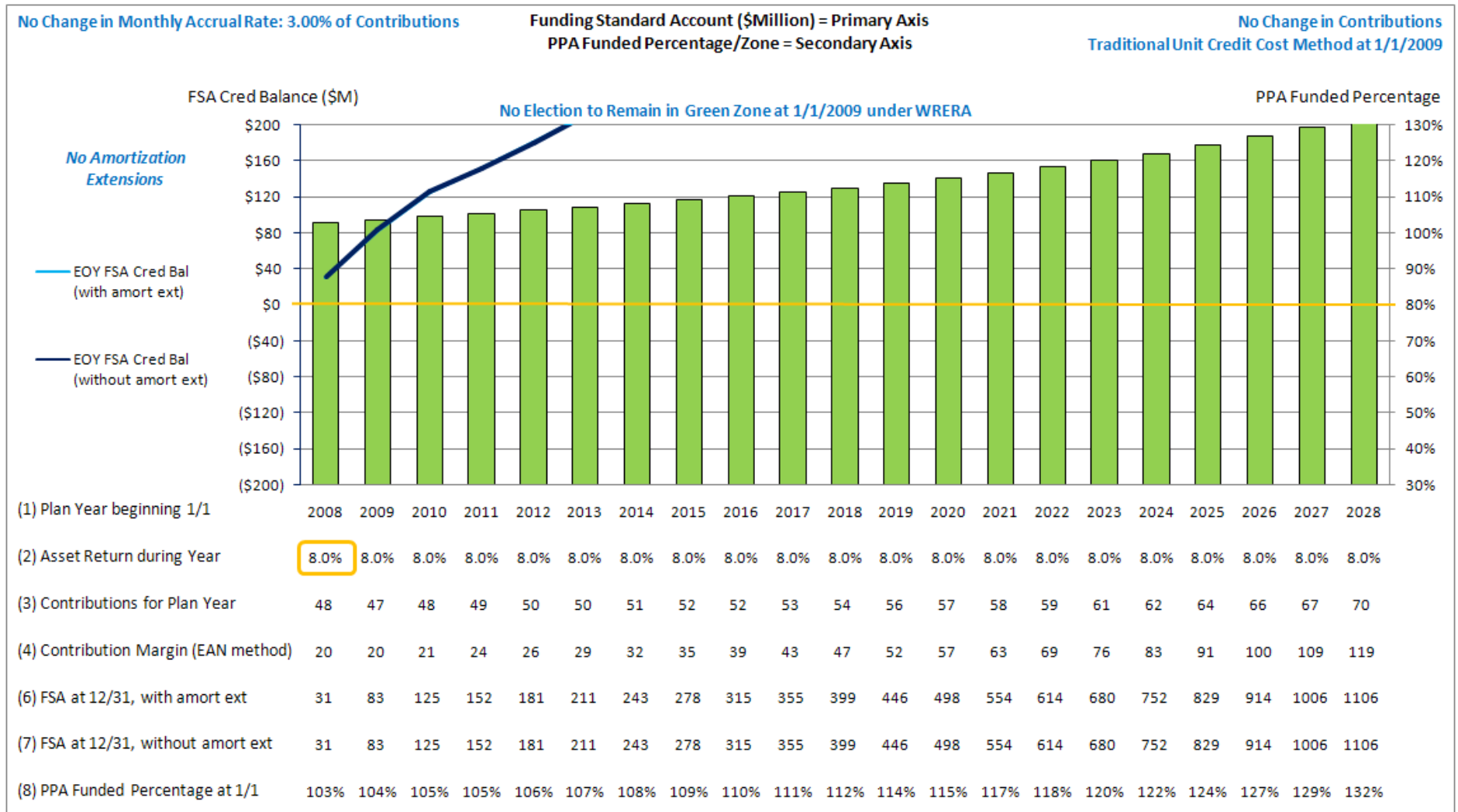


So Now You're in A "New Zone"?

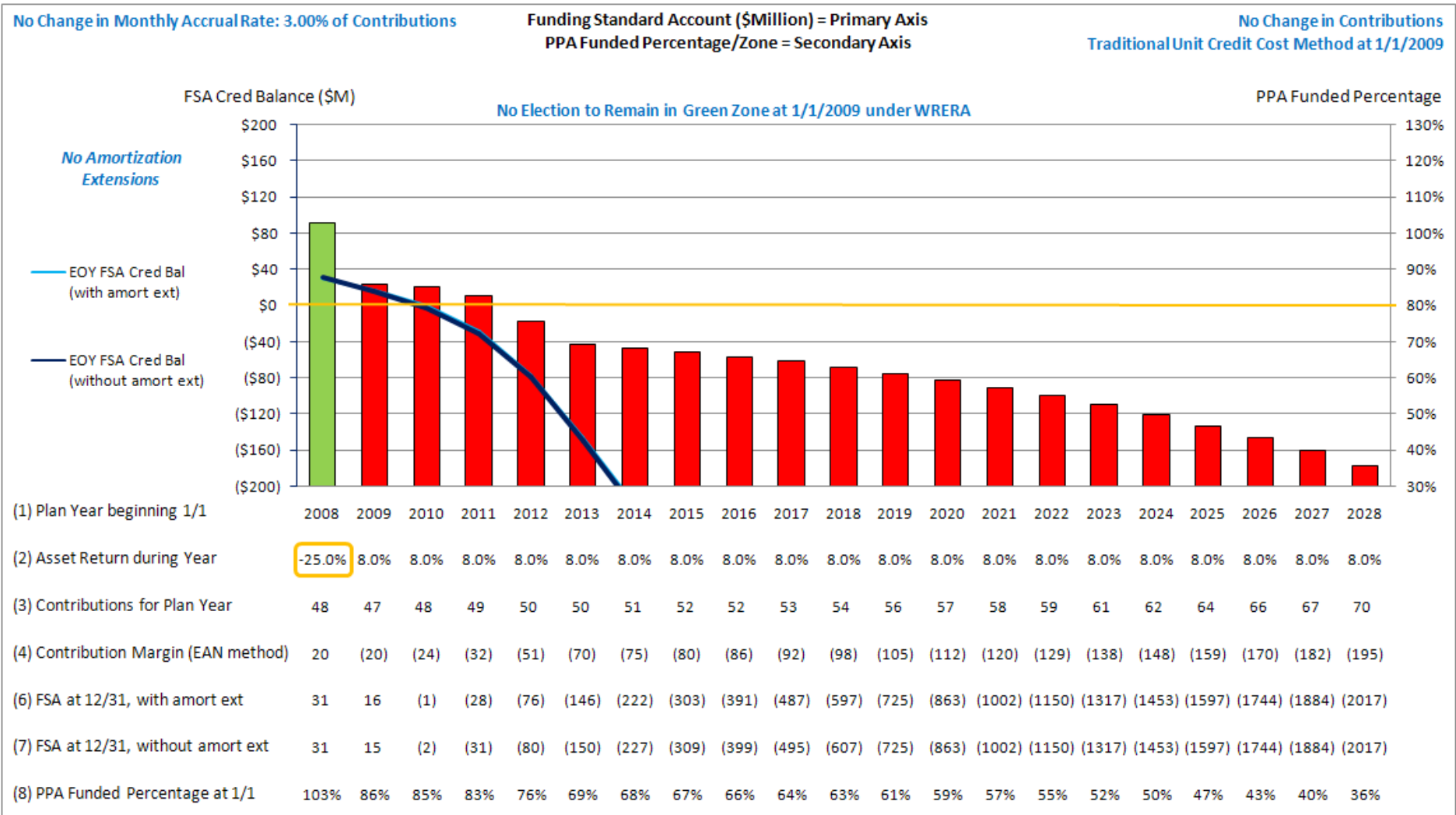
Cary Franklin, FSA
Stan Goldfarb, FSA

*Presented at the Quality Construction Alliance
National Issues Conference
May 12, 2009*

“Baseline at January 1, 2008”



"Baseline at January 1, 2009"



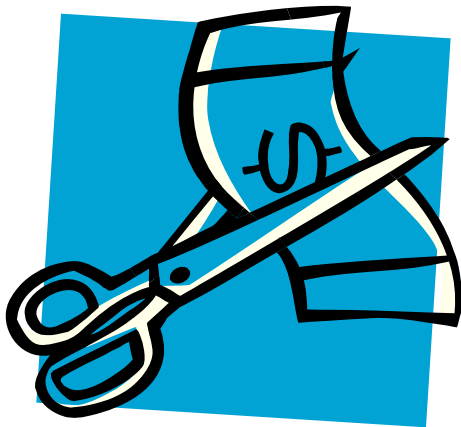
We Took Intermediate Action...

....It Was The Best We Could Do.

- **Cut Future Accruals**
- **Redirect Contributions from Health Fund**

Could Not Get There With

Benefit Cuts Alone!

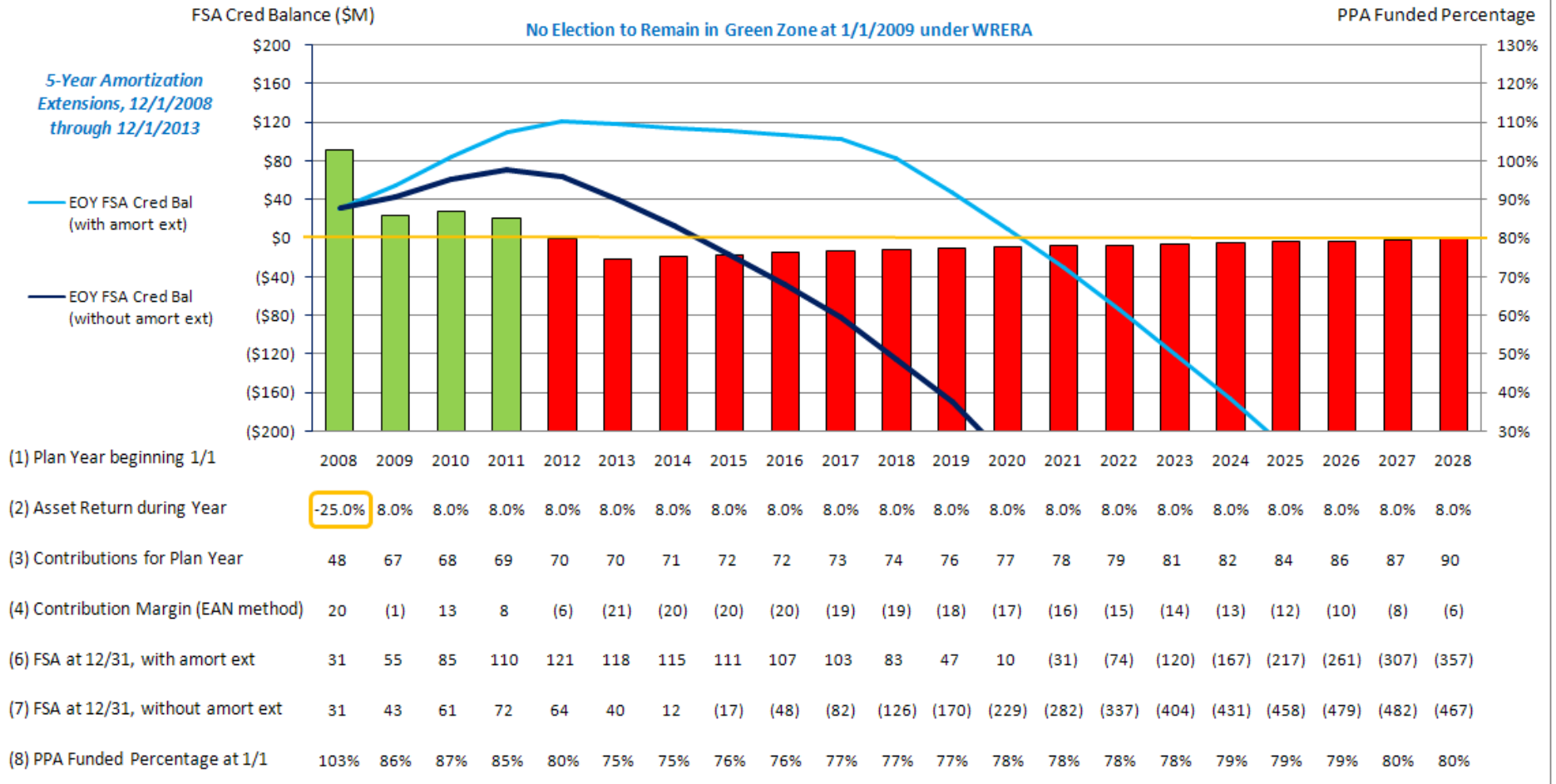


“Remedial Action at January 1, 2009”

Monthly Accrual Rate at 7/1/2009: 1.50% of Contributions

Funding Standard Account (\$Million) = Primary Axis
PPA Funded Percentage/Zone = Secondary Axis

Additional Annual Contribs of \$20.0M
Traditional Unit Credit Cost Method at 1/1/2009



Pension Protection Act (PPA) Certification Criteria

“Yellow Zone” Endangered

- Not in critical status, and
- Funded percentage < 80%

OR

- Accumulated Funding Deficiency (AFD) in current plan year or projected in next 6 years (taking into account PPA amortization extensions)

Note: An “Accumulated Funding Deficiency” means the Credit Balance is negative

“Orange Zone” Seriously Endangered

- Not in critical status, and
- Funded percentage < 80%

AND

- AFD in current plan year or projected in the next 6 years, taking into account PPA amortization extensions

“Red Zone” Critical

- AFD in the current plan year or projected in the next 3 years (4 years if < 65% funded), without regard to PPA amortization extensions

OR

- Funded percentage < 65% and fails 7-year solvency test

OR

- Expected contributions for current plan year do not cover normal cost plus interest on unfunded liability, PV of inactive liability exceeds PV of active liability, and projected AFD in current or next 4 years

OR

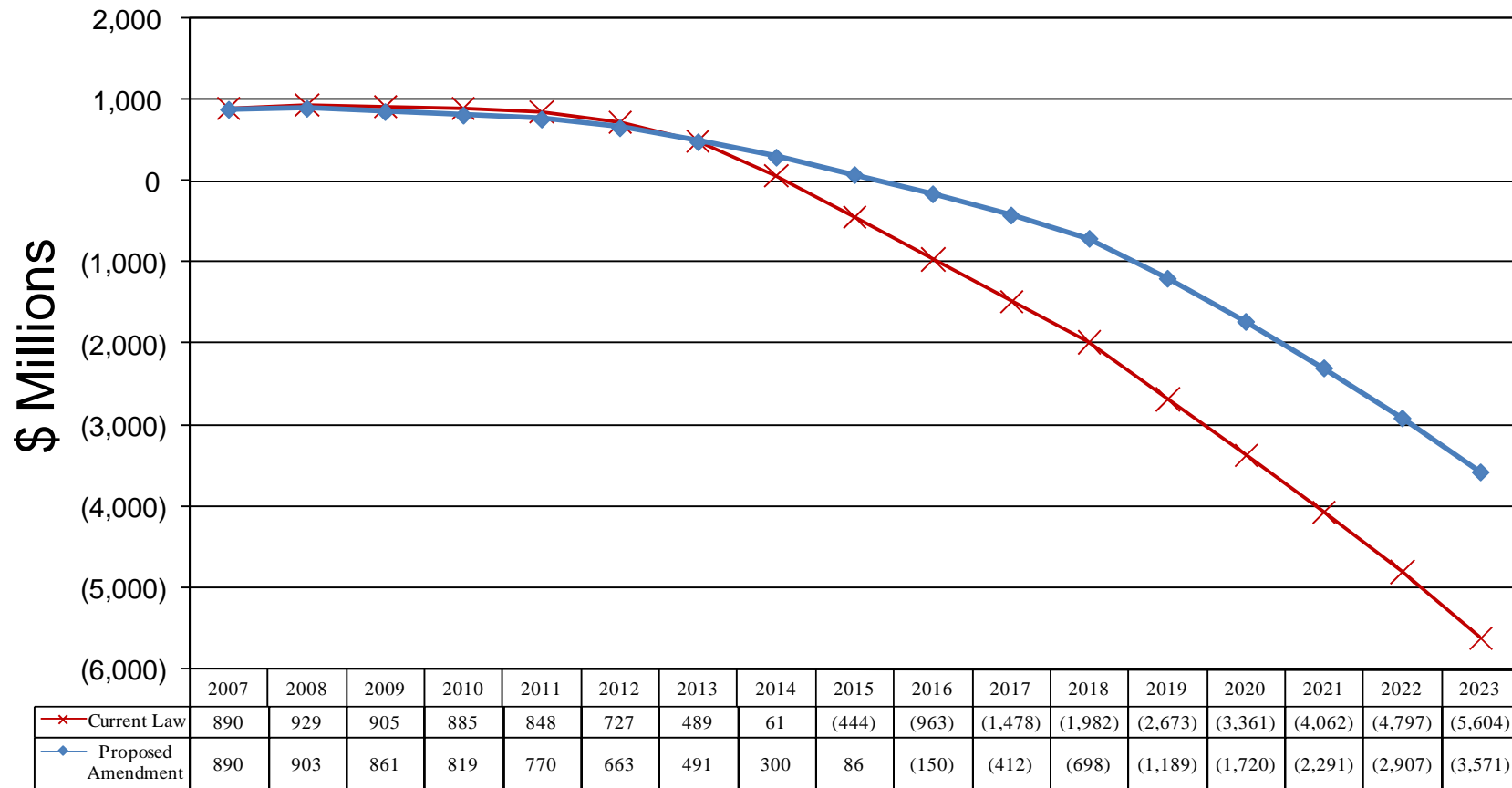
- Fails 5-year solvency test

Another Example

- **What would happen if plans could re-set the minimum funding requirement to 30 years?**
 - More time to address 2008 investment losses
 - Re-align funding *policies* with funding *requirements*

Credit Balance at Year End No Additional Contributions

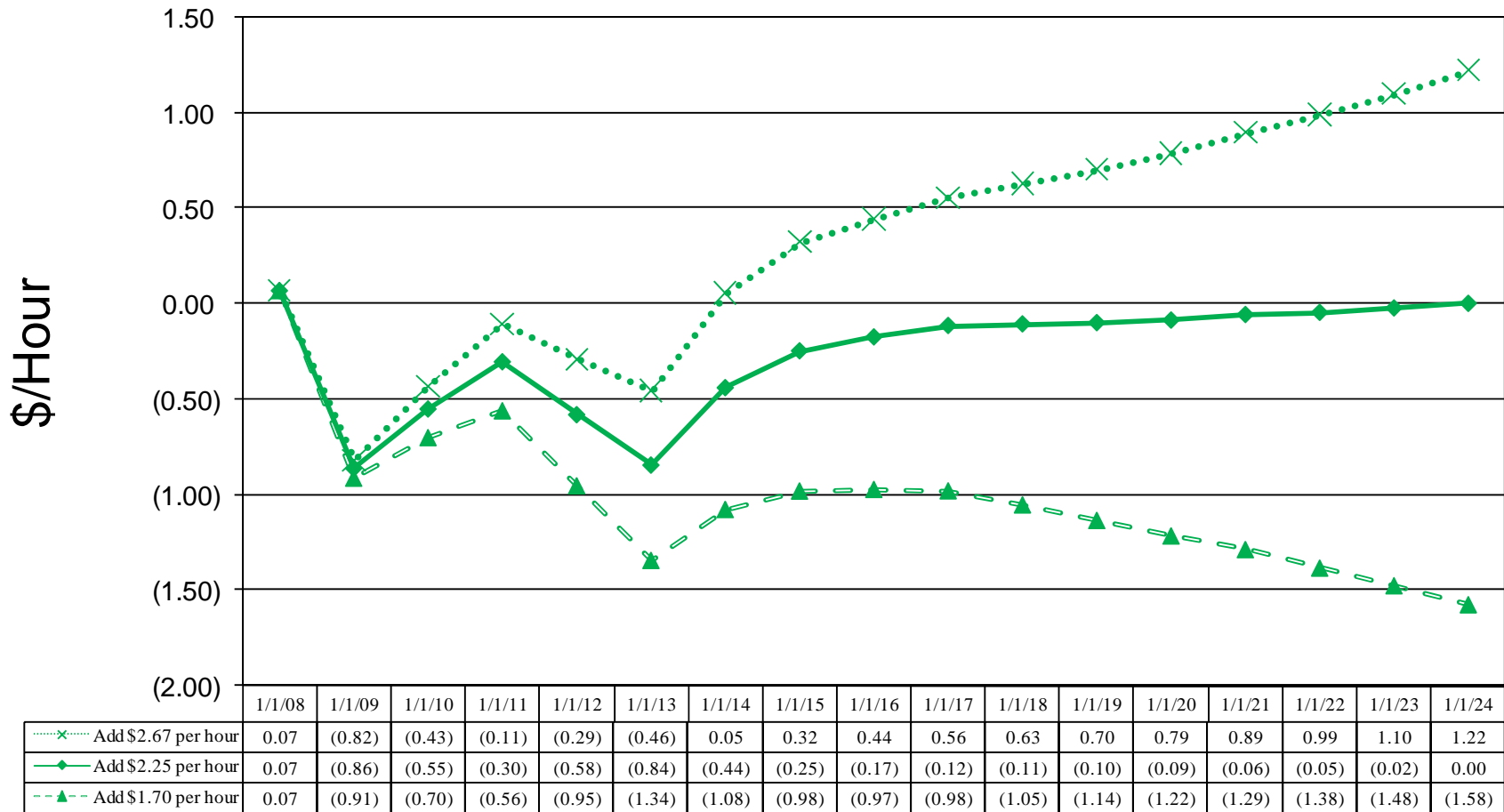
Exhibit A



Current Contribution Rate: \$2.95 per hour

Contribution Margin

Exhibit B



Credit Balance at Year End With Additional \$2.25 per Hour

Exhibit C



PPA Funded Ratio With Additional \$2.25 per Hour

Exhibit D

