

Idaho Operating Engineers – Employers Pension Trust Fund

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Administered by
Welfare & Pension Administration Service, Inc.

Pension Plan Update

FROM THE BOARD OF TRUSTEES
IDAHO OPERATING ENGINEERS – EMPLOYERS PENSION PLAN

Enclosed is the Annual Funding Notice for the 2020 Plan Year – a required notice designed to share information about the financial health of the Plan. This cover letter supplements this notice and provide you with more up-to-date information.

Benefit formula improved effective July 1, 2021

We are pleased to report that, due the Plan's recent strong financial performance, we have been able to improve the Plan's benefit formula. Effective for hours worked on or after July 1, 2021, the formula will be 1.25% multiplied by **81%** of the contributions made on your behalf. Previously, the formula reflected 57% of the contributions made on your behalf. For example, if you work 1,500 hours at a contribution rate of \$4.98 per hour in the 2021-2022 plan year:

- Before change: you would have earned a monthly benefit of $1.25\% \times 57\% \times (1,500 \times \$4.98) = \$53.22$
- After change: you will earn a monthly benefit of $1.25\% \times \mathbf{81\%} \times (1,500 \times \$4.98) = \mathbf{\$75.63}$

If your contribution rate is not \$4.98 per hour, the formulas above would reflect your specific contributions. As a reminder, the above amounts are payable for life at your normal retirement date. Please see your plan booklet for more details.

The Plan remains in the "green zone"

During the most recent plan year (July 1, 2020 through June 30, 2021), the Plan's investments are estimated to have earned over 25%. This result led to a significant improvement in the Plan's funding during the year, which is described further below. The Plan remains in the "green zone" for the 2021-2022 plan year. Plans in the "green zone" are generally at least 80% funded and are expected to meet their future minimum funding requirements under Federal law.

Plan funding

The enclosed Annual Funding Notice compares the Plan's assets to its liabilities (basically, how much the Plan's cash and investments are worth divided by how much it is expected to pay out in the future) at a specific point in time. It is important to know that the Annual Funding Notice is required to show the funded percentage for the *beginning* of the Plan year that just ended. It also uses an asset value called the "actuarial value of assets." This value smoothes out market fluctuations for IRS funding requirements, but the "market value of assets" shows a clearer picture of the Plan's funded status at a given point in time. The table below shows the Plan's funded percentage on a *market value* basis for the three years shown in the notice, as well as the *estimated* funded percentage as of July 1, 2021.

	2021 (Estimated)	2020	2019	2018
Valuation Date	July 1, 2021	July 1, 2020	July 1, 2019	July 1, 2018
Value of Liabilities	\$132,000,000	\$132,414,833	\$127,050,618	\$128,358,063
Market Value of Assets	\$150,000,000	\$124,796,355	\$124,824,939	\$123,241,116
Market Value Funded %	114%	94%	98%	96%

What does the future hold?

Over time, markets will fluctuate. And because the Plan's funding is directly tied to the markets, so will our funding levels. While current projections anticipate the Plan's funding will continue to improve over time, we know there will be ups and downs along the way. We will continue to keep you updated as to the Plan's status each year, and we will continue to make decisions with a goal of improving the Plan's funding level, as well as providing meaningful benefits, without taking undue risk.

Questions?

If you have questions about the Plan's status or the enclosed notice, please contact the Administration Office, **Welfare & Pension Administration Service, Inc.**, at (206) 441-7574 or (800) 351-6480.

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October 27, 2021

ANNUAL FUNDING NOTICE FOR IDAHO OPERATING ENGINEERS – EMPLOYERS PENSION PLAN

Introduction

This notice includes important information about the funding status of your pension plan (“the Plan”) and general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation (“PBGC”), a federal insurance agency. All traditional pension plans (called “defined benefit pension plans”) must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is for the plan year beginning July 1, 2020 and ending June 30, 2021.

How Well Funded Is Your Plan

The law requires the administrator of the Plan to tell you how well the Plan is funded, using a measure called the “funded percentage.” The Plan divides its assets by its liabilities on the Valuation Date for the plan year to get this percentage. In general, the higher the percentage, the better funded the plan. The Plan’s funded percentage for the Plan Year and each of the two preceding plan years is shown in the chart below. The chart also states the value of the Plan’s assets and liabilities for the same period.

Funded Percentage			
	2020	2019	2018
Valuation Date	July 1, 2020	July 1, 2019	July 1, 2018
Funded Percentage	93%	96%	94%
Value of Assets	\$123,483,410	\$121,899,096	\$120,487,261
Value of Liabilities	\$132,414,833	\$127,050,618	\$128,358,063

Year-End Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date. They also are “actuarial values.” Actuarial values differ from market values in that they do not fluctuate daily based on changes in the stock or other markets. Actuarial values smooth out those fluctuations and can allow for more predictable levels of future contributions. Despite the fluctuations, market values tend to show a clearer picture of a plan’s funded status at a given point in time. The asset values in the chart below are market values and are measured on the last day of the Plan Year. The chart also includes the year-end market value of the Plan’s assets for each of the two preceding plan years.

	June 30, 2021	June 30, 2020	June 30, 2019
Fair Market Value of Assets	\$150,000,000	\$124,796,355	\$124,824,939

The June 30, 2021 fair market value of the Plan's assets is an estimate until the audit of the Plan has been completed by a certified public accounting firm.

Endangered, Critical, or Critical and Declining Status

Under federal pension law, a plan generally is in "endangered" status if its funded percentage is less than 80 percent. A plan is in "critical" status if the funded percentage is less than 65 percent (other factors may also apply). A plan is in "critical and declining" status if it is in critical status and is projected to become insolvent (run out of money to pay benefits) within 15 years (or within 20 years if a special rule applies). If a pension plan enters endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status or critical and declining status, the trustees of the plan are required to adopt a rehabilitation plan. Funding improvement and rehabilitation plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time. The plan sponsor of a plan in critical and declining status may apply for approval to amend the plan to reduce current and future payment obligations to participants and beneficiaries.

The Plan was not in endangered, critical, or critical and declining status in the Plan Year.

Participant Information

The total number of participants in the Plan as of the Plan's valuation date was 2,896. Of this number, 540 were active participants, 1,206 were retired or separated from service and receiving benefits, and 1,150 were separated from service and entitled to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The funding policy of the Plan is to enforce compliance with all applicable collective bargaining agreements between employers and Local 302 and participation agreements approved by the Board of Trustees. The Board of Trustees will work with its professional service advisors to ensure that contributions received by the Idaho Operating Engineers - Employers Pension Plan Trust Fund will satisfy the minimum funding requirements under the Employee Retirement Income Security Act and be deductible under Internal Revenue Service rules. Over time, the Board of Trustees may adjust plan benefits in response to investment returns and other plan experience, or seek additional contributions from the bargaining units.

Pension plans also have investment policies. These generally are written guidelines or general instructions for making investment management decisions. The investment policy of the Plan states that investments shall be made solely in the interest of the participants and beneficiaries and for the exclusive purposes of providing their benefits and defraying the reasonable expenses of administering the Plan. Plan assets shall be invested with the care, skill, prudence and diligence under the circumstances prevailing from time to time that a prudent man acting in a like capacity and familiar with such matters would use in the investment of a Plan of like character and with like aims. Investments shall be diversified so as to minimize the risk of large losses, unless under particular circumstances it is clearly prudent not to do so. Investment decisions shall be made taking into consideration both risk and return, where risk is measured on an overall basis and not how it relates to each particular investment. The Plan shall maintain adequate liquidity to service its obligations.

Under the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

Asset Allocations	Percentage
Stocks	63%
Investment grade debt instruments	22%
High-yield debt instruments	0%
Real estate	9%
Other (Alternative Fund of Funds and Cash)	6%

Right to Request a Copy of the Annual Report

Pension plans must file annual reports with the US Department of Labor. The report is called the "Form 5500." These reports contain financial and other information. You may obtain an electronic copy of your Plan's annual report by going to www.efast.dol.gov and using the search tool. Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N1515, Washington, DC 20210, or by calling 202.693.8673. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator. Annual reports do not contain personal information, such as the amount of your accrued benefit. You may contact your plan administrator if you want information about your accrued benefits. Your plan administrator is identified below under "Where To Get More Information About Your Plan."

Summary of Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans that become insolvent, either as ongoing plans or plans terminated by mass withdrawal.

The plan administrator is required by law to include a summary of these rules in the annual funding notice. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for that plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available resources. If such resources are not enough to pay benefits at the level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC 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 notice of its status 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, including loss of a lump sum option.

Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. There are separate insurance programs with different benefit guarantees and other provisions for single-employer plans and multiemployer plans. Your Plan is covered by PBGC's multiemployer program. 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 ($\35.75×10).

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 ($\17.75×10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In addition, the PBGC guarantees qualified preretirement survivor benefits (which are preretirement death benefits payable to the surviving spouse of a participant who dies before starting to receive benefit payments). In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under a plan within 60 months before the earlier of the plan's termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee 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.

For additional information about the PBGC and the pension insurance program guarantees, go to the Multiemployer Page on PBGC's website at www.pbgc.gov/multiemployer. Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See "Where to Get More Information About Your Plan," below.

Where to Get More Information About Your Plan

For more information about this notice and your Plan, you may contact:

Welfare & Pension Administration Service, Inc.
PO Box 34203
Seattle, Washington 98124
(800) 351-6480, extension 3210

For identification purposes, the official Plan number is 001, the Plan sponsor's name is the Idaho Operating Engineers - Employers Pension Plan Board of Trustees, and the employer identification number or "EIN" is 91-6075538. For more information about the PBGC and benefit guarantees, go to the PBGC's website, www.pbgc.gov.