



SOUTHERN CALIFORNIA IBEW - NECA TRUST FUNDS

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**MEMORANDUM**

**TO:** All Plan Participants  
 Beneficiaries Receiving Benefit Payments  
 QDRO Alternate Payees  
 Employers Obligated to Contribute  
 Local Unions Representing Plan Participants

**FROM:** Board of Trustees  
 Southern California IBEW-NECA Pension Trust Fund

**DATE:** October 28, 2014

**RE:** **Information About Your Pension Plan**

***IMPORTANT – IF YOU ARE A RETIRED PARTICIPANT (PENSIONER), BENEFICIARY OR QDRO ALTERNATE PAYEE RECEIVING PENSION PAYMENTS WHO COMMENCED BENEFITS PRIOR TO OCTOBER 26, 2012, THE FUND IS REQUIRED TO SEND YOU THESE NOTICES. HOWEVER, THERE ARE NO CHANGES BEING MADE TO YOUR BENEFITS.***

Enclosed, please find two government mandated notices which show the ongoing endangered status of the Plan. These notices are less descriptive than the detailed memorandums noted below.

Under date of October 26, 2012, you received notice of the Plan’s endangered status and a detailed description of those consequences. Under date of May 21, 2013, you received a detailed memorandum describing the Fund Improvement Plan adopted by the Board of Trustees. Under date of July 17, 2013, you received a memorandum describing an amendment to the Funding Improvement Plan. That amendment added an additional Alternative Schedule. Under date of December 2013, you received a memorandum describing an amendment to the Funding Improvement Plan. That amendment added an additional Alternative Schedule.

If you would like additional copies of any of these prior notices, please contact the Administrative Trust Funds Office. The documents are also available on the Trust Funds’ website at [www.scibew-neca.org](http://www.scibew-neca.org).

## ***NOTICE OF ENDANGERED STATUS***

***For***

***Southern California IBEW-NECA Pension Plan as of July 1, 2014***

**To:** All Participants, Beneficiaries, Participating Unions and Contributing Employers

This is to inform you that on September 28, 2014 the Plan actuary certified to the U.S. Department of the Treasury, and to the Board of Trustees, that the Southern California IBEW-NECA Pension Plan (Plan) is in endangered status for the Plan Year beginning July 1, 2014. Federal law requires that you receive this notice.

### ***Endangered Status***

The Plan's actuary determined that the Plan is in endangered status because the funded percentage of the Plan is projected to be less than 80%.

### ***Funding Improvement Plan***

Federal law requires that pension plans in endangered status adopt a funding improvement plan aimed at improving the financial health of the plan. The law also requires the Plan to furnish the bargaining parties with proposed schedules that modify future contributions and/or benefit accrual rates in order to meet certain benchmarks for improving the Plan's financial condition over a period of years. If it is determined that benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Under date of October 26, 2012, you received notice of the Plan's endangered status and a detailed description of those consequences. Under date of May 21, 2013, you received a detailed memorandum describing the Funding Improvement Plan adopted by the Board of Trustees. Under date of July 17, 2013, you received a memorandum describing an amendment to the Funding Improvement Plan. That amendment added an additional Alternative Schedule. Under date of December, 2013, you received a memorandum describing an amendment to the Funding Improvement Plan. That amendment added an additional Alternative Schedule. If you desire copies of the prior notices, please contact the Administrative Trust Funds Office at the nationwide, toll-free number (800) 824-6935 or at the primary business number (323) 221-5861. The documents are also available on the Trust Funds' website at [www.scibew-neca.org](http://www.scibew-neca.org).

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

Please contact the Administrative Trust Funds Office if you have questions at (323) 221-5861 or the nationwide toll-free number (800) 824-6935. Normal business hours are Monday through Friday, 9AM to 5PM. Voicemail messages may be left at any time and calls will be returned by the end of the next business day. Fax communications may be directed to (323) 726-3520 and you may access the Trust Funds' website at [www.scibew-neca.org](http://www.scibew-neca.org) at any time.

Sincerely,

The Board of Trustees

cc: U.S. Department of Labor

U.S. Pension Benefit Guaranty Corporation

## ***ANNUAL FUNDING NOTICE***

***For***

### ***Southern California IBEW-NECA 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, 2013 and ending June 30, 2014 (“Plan Year”).

#### **How Well Funded Is Your Plan**

Under federal law, the Plan must report how well it is funded by using a measure called the “funded percentage.” This percentage is obtained by dividing the Plan’s assets by its liabilities on the Valuation Date for the Plan Year. In general, the higher the percentage, the better funded the Plan. Your Plan’s funded percentage for the Plan Year and each of the two preceding Plan Years is set forth in the chart below, along with a statement of the value of the Plan’s assets and liabilities for the same period.

<b>Funded Percentage</b>			
<b>Plan Year</b>	<b>2013/2014</b>	<b>2012/2013</b>	<b>2011/2012</b>
Valuation Date	July 1, 2013	July 1, 2012	July 1, 2011
Funded Percentage <sup>1</sup>	77.8%	77.9%	80.5%
Value of Assets <sup>1</sup>	\$1,060,103,955	\$1,030,740,352	\$1,038,033,113
Value of Liabilities	\$1,362,615,338	\$1,323,638,789	\$1,288,879,875

<sup>1</sup> *The value of assets and funded percentages reflect the adoption of funding relief.*

#### **Year-End Fair Market Value of Assets**

The asset values in the chart above are measured as of the Valuation Date for the Plan Year and are actuarial values. Because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values that are designed to smooth out those fluctuations for funding purposes. The asset values on the following page are market values and are measured as of the last day of the Plan Year, rather than as of the Valuation Date. Substituting the market value of assets for the actuarial value used in the above chart would show a clearer picture of a plan’s funded status as of the Valuation Date. The fair market value of the Plan’s assets as of the last day of the Plan Year and each of the two preceding plan years is shown in the following table:

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**(Continued)**

	<b>June 30, 2014</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Fair Market Value of Assets	\$1,051,538,337 <sup>1</sup>	\$963,166,370	\$901,451,897

<sup>1</sup> The June 30, 2014 fair market value of assets figure is an estimate based on the Plan's unaudited financial statements. The final figure following completion of the Plan's regular audit by a certified public accounting firm may differ from this estimate.

**Critical or Endangered Status**

Under federal pension law a plan generally will be considered to be in "endangered" status if, at the beginning of the plan year, the funded percentage of the plan is less than 80 percent or in "critical" status if the percentage is less than 65 percent (other factors may also apply). 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, the trustees of the plan are required to adopt a rehabilitation plan. Rehabilitation and funding improvement plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time.

The Plan was in endangered status for the Plan Year beginning July 1, 2012 and ending June 30, 2013; and for the Plan Year beginning July 1, 2013 and ending June 30, 2014. Under date of October 26, 2012, you received notice of the Plan's endangered status and a detailed description of those consequences. Under date of May 21, 2013, you received a detailed memorandum describing the Funding Improvement Plan adopted by the Board of Trustees. Under date of July 17, 2013, you received a memorandum describing an amendment to the Funding Improvement Plan. That amendment added an additional Alternative Schedule. Under date of December, 2013, you received a memorandum describing an amendment to the Funding Improvement Plan. That amendment added an additional Alternative Schedule. If you desire copies of the prior notices, please contact the Administrative Trust Funds Office at the nationwide, toll-free number (800) 824-6935 or at the primary business number (323) 221-5861. The documents are also available on the Trust Funds' website at [www.scibew-neca.org](http://www.scibew-neca.org).

The Plan is in endangered status for the Plan year beginning July 1, 2014 so a separate notification will be provided.

**Participant Information**

The total number of participants in the Plan as of the Plan's valuation date was 14,543. Of this number, 6,403 were active participants, 5,802 were retired or separated from service and receiving benefits, and 2,338 were retired or separated from service and entitled to future benefits.

**Funding and Investment Policies**

Every pension plan must have a procedure for establishing a funding policy to carry out plan objectives. A funding policy relates to the level of assets needed to pay for benefits promised under the plan currently and over the years. The funding policy of the Plan is to maintain a balance such that plan resources will fund plan obligations. Plan resources include accumulated plan assets plus expected future contributions and investment income. Plan obligations are benefit payments to current and future retirees and beneficiaries, including benefits earned to date as well as benefits expected to be earned in the future. Plan obligations also include expected expenses paid from plan assets. In implementing this funding policy, the plan Trustees will work with professional advisors to adopt a prudent investment policy and to determine the actuarial value of plan obligations. Over time, the Trustees may adjust plan benefits in response to investment returns and other plan experience, or seek additional contributions from the bargaining units.

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**(Continued)**

Once money is contributed to the Plan, the money is invested by plan officials called fiduciaries, who make specific investments in accordance with the Plan’s investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning investment management decisions. The investment policy of the Plan is to achieve a target allocation among asset categories of 33% equity, 18% GTAA, 21% fixed income, 10% private capital, 10% real estate and 8% hedge funds.

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:

<b>Asset Allocations</b>	<b>Percentage</b>
1. Cash (interest bearing and non-interest bearing)	1.5%
2. U.S. Government securities	_____
3. Corporate debt instruments (other than employer securities):	_____
Preferred	_____
All other	_____
4. Corporate stocks (other than employer securities):	_____
Preferred	_____
Common	22.5%
5. Partnership/joint venture interests	18.5%
6. Real estate (other than employer real property)	3.0%
7. Loans (other than to participants)	4.5%
8. Participant loans	_____
9. Value of interest in common/collective trusts	27.0%
10. Value of interest in pooled separate accounts	_____
11. Value of interest in master trust investment accounts	_____
12. Value of interest in 103-12 investment entities	_____
13. Value of interest in registered investment companies (e.g., mutual funds)	15.0%
14. Value of funds held in insurance co. general account (unallocated contracts)	_____
15. Employer-related investments:	_____
Employer Securities	_____
Employer real property	_____
16. Buildings and other property used in plan operation	_____
17. Other	8.0%

For information about the plan’s investment in any of the following types of investments as described in the chart above – common/collective trusts, pooled separate accounts, master trust investment accounts, or 103-12 investment entities – contact the Administrative Trust Funds Office if you have any questions at (323) 221-5861 or the nationwide, toll-free number (800) 824-6935. Normal business hours are Monday through Friday, 9AM to 5PM. Voicemail messages may be left at any time and calls will be returned by the end of the next business day. Fax communications may be directed to (323) 726-3520 and you may access the Trust Funds’ website at [www.scibew-neca.org](http://www.scibew-neca.org) at any time.

## ***ANNUAL FUNDING NOTICE*** ***(Continued)***

### **Right to Request a Copy of the Annual Report**

A pension plan is required to file with the US Department of Labor an annual report called the Form 5500 that contains financial and other information about the plan. Copies of the annual report are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. For 2009 and subsequent plan years, you may obtain an electronic copy of the plan's annual report by going to [www.efast.dol.gov](http://www.efast.dol.gov) and using the Form 5500 search function. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator. Individual information, such as the amount of your accrued benefit under the plan, is not contained in the annual report. If you are seeking information regarding your benefits under the plan, contact the plan administrator identified below under "Where To Get More Information."

### **Summary of Rules Governing Plans in Reorganization and Insolvent Plans**

Federal law has a number of special rules that apply to financially troubled multiemployer plans. The plan administrator is required by law to include a summary of these rules in the annual funding notice. 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 excise tax may be imposed (or both). The plan is required to furnish this notification to each contributing employer and the labor organization.

Despite these special plan reorganization rules, a plan in reorganization 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 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. 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 benefits that you have earned a right to receive and that can not be forfeited (called 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.

## **ANNUAL FUNDING NOTICE** **(Continued)**

**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 ( $\$17.75 \times 10$ ).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. 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 (or benefits that were in effect for less than 60 months at the time of 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**

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