PBGC Reg. 4233.7

Explanation of Assumed Active and Terminated Vested Continuation Percentage

Due to software limitations we were unable to directly calculate the ***effective continuation percentage*** (ECP[1]) related to death benefits of a beneficiary of an active participant or terminated vested participant post retirement.

We note the issue only occurs when a participant selects the 50% or 75% Joint & Survivor Form. When selecting the 100% J&S Form there is no issue – death benefits were directly calculated for 100% J&S. Additionally, benefits payable to the surviving spouses of retired participants are calculated directly, and no "work around" was made for their benefits and cash flows. Because only half of the non-retired participants are married and most (60%) take the 100% J&S the issue only operates on an ***extremely*** small portion of the cash flow.

Consequently, in the interest of being conservative and keeping calculations simple, we assumed 100% ECP for all J&S forms for the application. We offer the following analysis and reasoning to demonstrate the difference between our assumption and direct calculation is de minimis.

Assumption vs. Direct Calculation

First we ran our cash flows at the other extreme: assuming the minimum ECPs (50%, 75%, & 100%) for the three respective possible J&S forms knowing that a direct calculation method would be between this and the cash flows of our application. Additionally, our analysis of actual ECP at NRA indicates that an assumption to most closely match a direct calculation method would probably be more like 70%, 90%, 100% for the three J&S forms. We ran this scenario as well.

The table below summarizes the key funding measures as of the end of the extended period (3/31/2049) along with the present value (PV) of the PBGC's financial assistance in a partition under the three ECP scenarios.

		Application Metrics			
		As of 3/31/2049			PV of PBGC's
Scenario	Effective Continuation Percentage (ECP)	Funded Percentage	Solvency Ratio	Available Resources	Financial Assistance
1	Minimum (50%/ 75%/ 100%)	33.4%	8.4	$31.4M	$ 87,077,811
2	Probable (70%/ 90%/ 100%)	32.7%	8.1	$30.6M	$ 87,332,061
3	Maximum (100%/100%/100%) Appl.	31.6%	7.7	$29.3M	$ 87,671,710

The attached graphs provide projections under Scenarios 1 & 2. The suspension application is based on Scenario 3.

The table and graphs indicate that even under Scenario 2, when using the probable ECPs, the Plan is expected to meet the requirements of MPRA at the end of the extended period and the level of the requested Partition would not change. As a result, we believe our assumption of the maximum ECPs are easily within a range of reasonableness, as described in Section 3.4 of ASOP 35, and that any further refinement of this assumption would not be material, as described in Section 3.10.2 of ASOP 35.

[1] We are defining "effective continuation percentage" or ECP as the percentage that results from dividing "A" by "B" where:

- "A" equals the spouse's actual death benefit ***after*** application of the MPRA suspension including all protections (including 10% above the PBGC maximum benefit guarantee formula).
- "B" equals the members post retirement (pre death) benefit ***after*** application of the MPRA suspension including all protections (including 10% above the PBGC maximum benefit guarantee formula).

Local 805 Pension and Retirement Fund
as of 3/31/2016

Experience/Assumptions as of 3/31/t

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
a.	ROR at Market (for year ending)	13.08%	5.25%	5.25%	5.25%	5.25%	5.25%	6.00%	6.00%	6.00%	6.00%	6.00%	7.00%	7.00%	7.00%
	Levels of:		1.907%	2.524%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
b.	Contribution rate (eff. Plan Year ending t)	$ 309.87	$ 315.78	$ 323.75	$ 333.47	$ 343.47	$ 353.77	$ 364.39	$ 375.32	$ 386.58	$ 398.17	$ 410.12	$ 422.42	$ 435.10	$ 448.15
c.	Employment (total months)	4,779	4,750	4,722	4,694	4,666	4,638	4,610	4,582	4,555	4,528	4,501	4,501	4,501	4,501

Scenario: Post-Partition
J&S Benefits: Min
Retiree Partition 73%

Assumption Changes
Interest rate to..... 6.50% No
Used graded interest rate..... 1 Yes

Fac.l Merger Assistance
Amt of Assistance per yr... $0.0 Millions
# of years of assistance..... 1

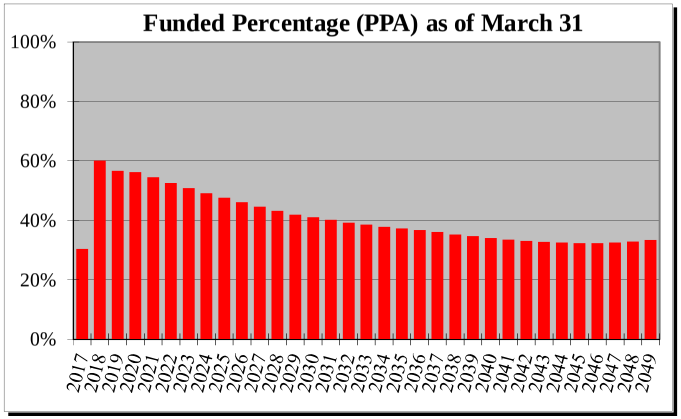
Est. date of insolvency..... 12/31/2999

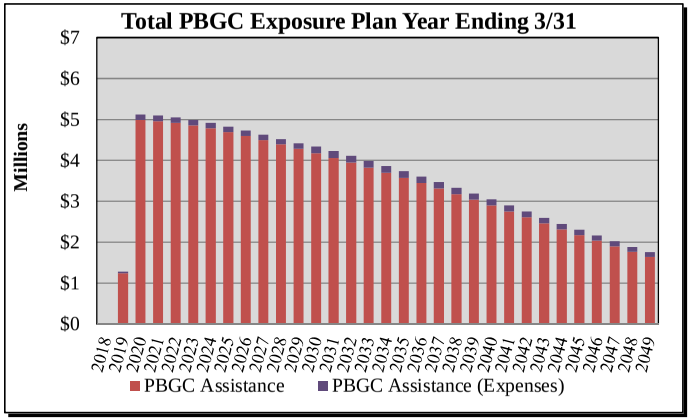
	First 20 years	After 20 years
Est. PBGC Exp. Int Rate.....	2.39%	2.60%
PV of PBGC Exp Assist as of 4/17:.....	$ *83,615,916*	
PV of PBGC Expense Assist as of 4/17:.....	$ *3,461,895*	
Total PV of PBGC Assist as of 4/17:.....	***$ 87,077,811***	

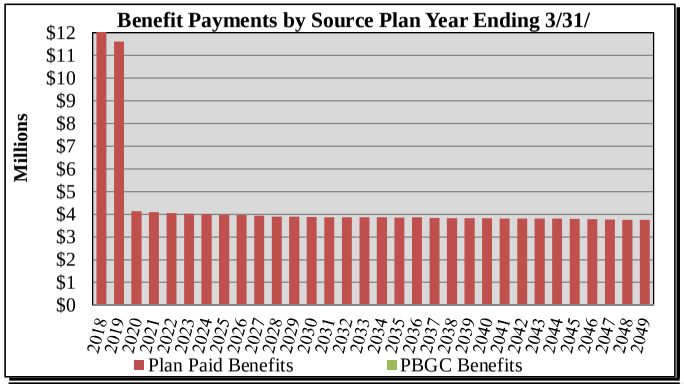
Proj.Assets at Market as of 3/31:
2017 $ 47,185,714
2018 $ 40,774,817

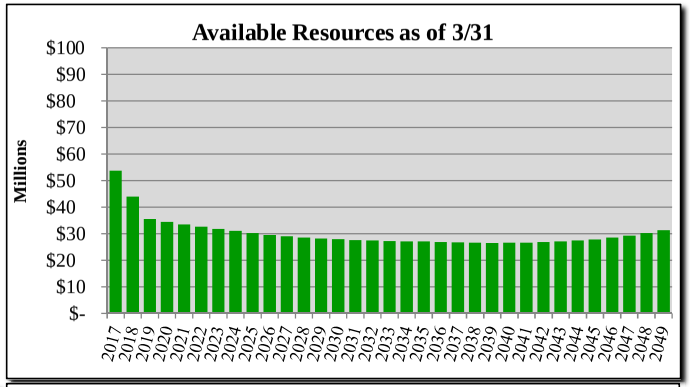
Increase/(decrease) in future work -0.60% No
Increase/(decrease) in future interest 0.00%

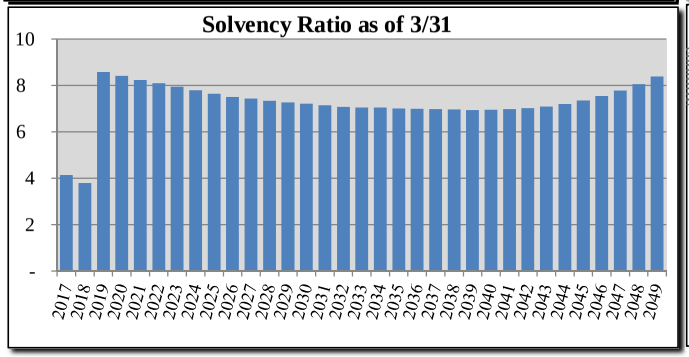
Expense for PBGC per Person $132.00

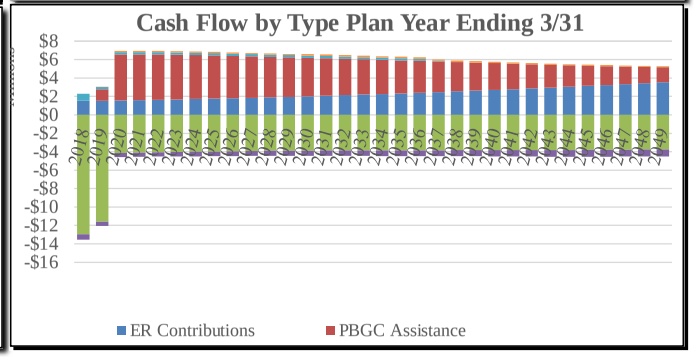












Local 805 Pension and Retirement Fund
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J&S Benefits: Probable
Retiree Partition 73%

Assumption Changes

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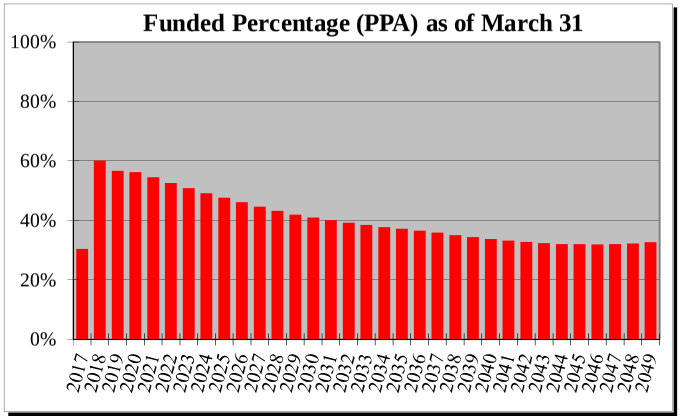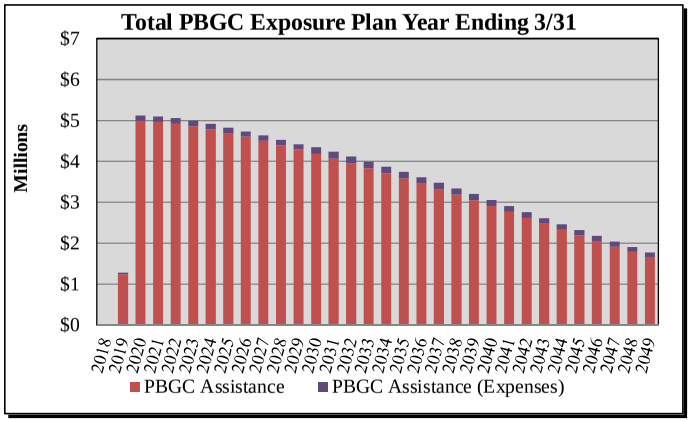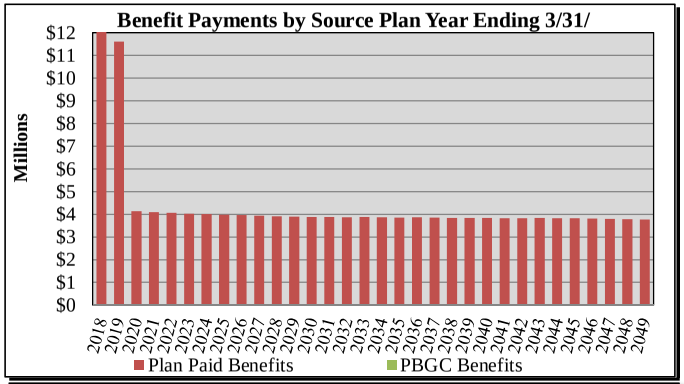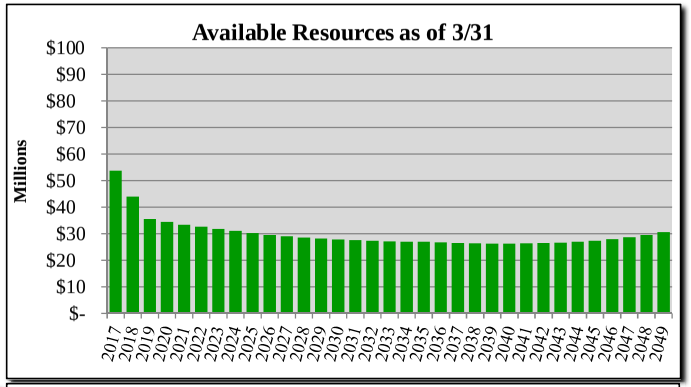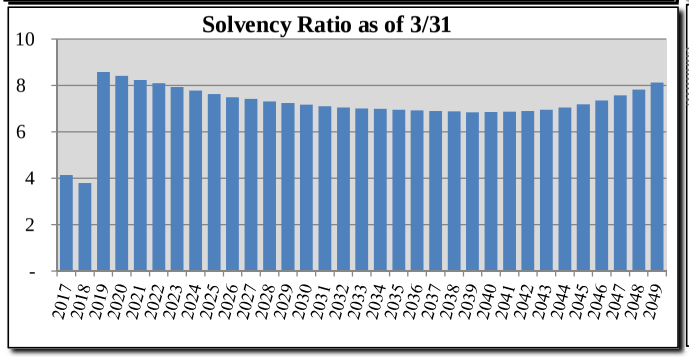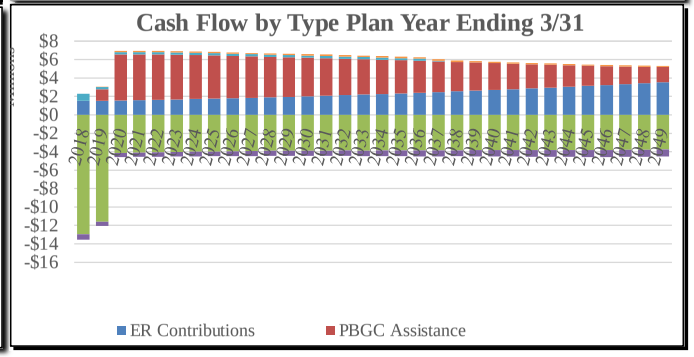
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