

BAKERY AND CONFECTIONERY UNION AND INDUSTRY INTERNATIONAL HEALTH BENEFITS AND PENSION FUND

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December 22, 2020

IMPORTANT NOTICE

TO: ALL PARTICIPATING EMPLOYERS AND LOCAL UNIONS
FROM: BOARD OF TRUSTEES
SUBJECT: REVISION TO REHABILITATION PLAN EFFECTIVE DECEMBER 31, 2020

At their most recent meeting, the Trustees of the Bakery and Confectionery Union and Industry International Pension Fund (“the Fund”) reviewed the Fund’s Rehabilitation Plan (“Plan” or “Rehab Plan”), as they are required to do each year. The Trustees reviewed the Fund’s status and the schedules of contribution increases required under the schedules.

As you know, since the Fund’s Rehabilitation Plan was adopted in 2012, it has required annual compounded increases in contribution amounts, with no corresponding increases in benefit level. Under the Plan’s Preferred Schedule, employers are required to increase annual contributions by a compounded 5% on the anniversary date of their adoption of that schedule. Under the Plan’s Default Schedule, the required contribution increases are a compounded 10%.

THE TRUSTEES HAVE REVISED THE PREFERRED AND DEFAULT SCHEDULES UNDER THE REHAB PLAN. EFFECTIVE DECEMBER 31, 2020, FURTHER CONTRIBUTION RATE INCREASES ARE SUSPENDED. CONTRIBUTION AMOUNTS FOR THE EXISTING BENEFIT LEVELS WILL FREEZE AT CURRENT RATES FOR EMPLOYERS AND LOCAL UNIONS WHO ADOPT THE REVISED SCHEDULES BY MARCH 31, 2021.

ALL BARGAINING PARTIES ARE ENCOURAGED TO COMPLETE AND RETURN THE ENCLOSED ELECTION FORM ON OR BEFORE MARCH 31, 2021.

For work performed on or after the employer’s next anniversary date when a 5% increase (or, if the employer is on the default schedule, a 10% increase) would go into effect, **the increase is not required if the employer and the local union adopt the revised PPA schedule.**

EXAMPLE: An employer and local union adopt the revised PPA schedule using the enclosed Election Form before March 31, 2021. The employer’s next anniversary date for implementation of an increase is December 31, 2020. The percentage increase that would otherwise be required will not go into effect on December 31, 2020 and contribution rates for the same benefit level will remain at existing levels.

For those employers and local unions with existing collective bargaining agreements, changes to the existing schedules are not automatically effective until *after* the expiration of the existing agreement. However, **the parties may adopt these changes to the schedules during their existing agreement by executing and returning the enclosed Revised PPA Schedule Election Form.** For employers whose schedule election anniversary date is on or after December 31, 2020, so long as this form is executed and returned by the employer and/or local union on or before March 31, 2021, the schedule changes will be retroactive to December 31, 2020 (with no increases required). **IF YOU DO NOT RETURN THE REVISED PPA SCHEDULE ELECTION FORM, THE EXISTING SCHEDULE – AND THE REQUIRED CONTRIBUTION INCREASES – WILL CONTINUE THROUGH THE TERM OF YOUR CURRENT COLLECTIVE BARGAINING AGREEMENT.**

If you return the revised PPA Schedule Election Form after March 31, 2021, you *may* adopt the new schedules, but the adoption will only be prospective and will not be applied retroactively to the required contribution increases required on or after December 31, 2020 and prior to the date you return the election form.

If your collective bargaining agreement is currently expired, these rule changes apply as follows:

- If you enter into a new agreement prior to December 31, 2020, you must return the election form prior to March 31, 2021 for the changes to the schedules to be effective retroactive to December 31, 2020. If you return the form after March 31, 2021, it will be effective only prospectively.
- If you enter into a new collective bargaining agreement after December 31, 2020, the changes to the schedules will be automatically effective for your new contract, and you do not need to return the election form.
- If your contract is expired and is not renewed within 180 days after the expiration date, and the 180th day is after December 31, 2020, the revised schedules (requiring no increases) become effective automatically for your contract on that date. If your contract is currently expired and the 180th day after expiration is before December 31, 2020, the current Schedules (requiring continued increases) go into effect for your contract. To adopt the revised schedules retroactive to December 31, 2020, you must return the election form by March 31, 2021.

IN ALL CASES, THE REVISIONS TO THE FUND'S PPA SCHEDULES ARE NOT EFFECTIVE UNTIL DECEMBER 31, 2020. IF AN EMPLOYER HAS A PPA SCHEDULE ANNIVERSARY DATE WITH A REQUIRED INCREASE BEFORE DECEMBER 31, 2020, THE SCHEDULE INCREASE OTHERWISE REQUIRED WILL GO INTO EFFECT.

The Trustees realize that the increases previously required under the Rehabilitation Plan have been challenging for the bargaining parties. While, up until recently, these increases have been helpful in extending the solvency of the Fund, the Trustees have concluded that continued increases will have a negative effect on the Fund's solvency due to increasing financial hardship and the increasing likelihood of employer withdrawals. The Trustees believe that prospective elimination of these increases will alleviate some hardship on the bargaining parties, will stabilize the number of contributing employers and participants in the Fund, and have been advised that they should not have a material negative impact on the Fund's insolvency date.

AGAIN, ALL COLLECTIVE BARGAINING PARTIES ARE ENCOURAGED TO COMPLETE AND RETURN THE ENCLOSED ELECTION FORM ON OR BEFORE MARCH 31, 2021.

If you have questions regarding the implementation of these changes, please contact Steven D. Brock, Manager of Administrative Services at the Fund Office at sbrock@bepen.org or 301-468-3750. Additional information is also located on the Fund's website at www.bctrustfunds.org.