



December 27, 2011

**TO: All Participants, Beneficiaries, Participating Local Unions, and Contributing Employers**

**FROM: Board of Trustees**

**RE: CARPENTERS PENSION TRUST FUND FOR NORTHERN CALIFORNIA  
NOTICE OF CRITICAL STATUS  
Plan Year: September 1, 2011 – August 31, 2012**

**If you are currently retired and receiving a monthly benefit payment from the Pension Fund, your monthly check will continue uninterrupted.**

The Pension Protection Act of 2006 (“PPA”) imposed new rules designed to accelerate the funding of defined benefit plans like the Carpenters Pension Trust Fund for Northern California. Previously, plans were required to address funding issues only when a plan would not satisfy minimum funding standards for the current year, and could spread investment losses over longer periods of time. Alternatively, the PPA mandates that plans accelerate funding, anticipate future funding issues based upon projections, and for those certified to be in critical status to develop a “Rehabilitation Plan.”

This is to inform you that on November 29, 2011, the actuary for the Carpenters Pension Trust Fund for Northern California (the “Plan”) certified to the U.S. Department of the Treasury and to the Board of Trustees, that the Plan remains in critical status (the “red zone”) for the Plan Year beginning September 1, 2011. Federal law requires that you receive this notice. **Following the determination of critical status for prior Plan Years, a Rehabilitation Plan was adopted that was designed to have the Plan emerge from the red zone within the time frame allowed by law.**

**Although the Pension Plan remains in critical (red zone) status, because the Rehabilitation Plan continues to address long term funding issues, no new changes are required at this time.**

#### **CRITICAL STATUS**

According to provisions of the PPA, for the Plan Year beginning September 1, 2011, the Plan is labeled as being in critical status because (1) the sum of the Plan’s normal cost and interest on the unfunded benefits for the current Plan Year exceeds the present value of all expected contributions for the year; the present value of vested benefits of inactive participants is greater than the present value of vested benefits of active participants and the Plan is projected to have a funding deficiency for the next five years; (2) the Plan is projected to have an accumulated funding deficiency for the next four years’ and (3) the Plan was in critical status for the immediately preceding Plan Year and an accumulated funding deficiency is projected in ten years. Although the investment return for the 2010 Plan Year was better than expected, the recovery was not sufficient to erase the underperformance sustained in the 2008 and 2009 Plan Years.

## REHABILITATION PLAN

The Plan's actuary certified the Plan was in critical status for the first time for the Plan Year beginning September 1, 2009. Federal law requires that pension plans in critical status adopt a Rehabilitation Plan aimed at restoring the financial health of the plan. The law permits pension plans in critical status to reduce, or even eliminate, benefits called "adjustable benefits" as part of a Rehabilitation Plan. On July 27, 2010, the Board of Trustees adopted a Rehabilitation Plan consisting of two contribution rate/benefit schedules. All contributing employers and bargaining units adopted the Rehabilitation Plan's "Preferred Schedule" which does not require elimination or reduction in "adjustable benefits."

The Plan Year that began on September 1, 2010, was the second Plan Year that the Plan was in critical status. To minimize the impact to participants and employers, it was anticipated that the adopted Rehabilitation Plan would address the long term funding issues over the full time frame allowed by law. Although the Plan remained in critical (red zone) status, modifications to the Rehabilitation Plan were not necessary at that time.

If, in future years, the Trustees determine that future benefit reductions are necessary, you will receive a separate notice identifying and explaining the effect of those reductions. Any reduction of adjustable benefits (other than a repeal of a recent benefit increase) will not reduce the level of a participant's basic benefit payable at Normal Retirement Age.

Please be advised that whether or not the Plan reduces adjustable benefits in the future, the Plan has not been permitted to pay lump sum benefits (i.e., Level Income Option benefits) since it first provided Notice of Critical Status on December 23, 2009 and will not be permitted to do so while it continues to be in critical status.

## ADJUSTABLE BENEFITS

During the rehabilitation period, the Plan continues to offer the following adjustable benefits:

- Disability Pension Benefits (if not yet in pay status);
- Service Pension Benefits;
- Early Retirement Pension Subsidies;
- 75% and 100% Husband-and-Wife Pension;
- Pre-Retirement Death Benefit;
- 36 and 60 month Guarantee connected with Single-Life Pension.

*If the existing Rehabilitation Plan has to be modified sometime in the future, adjustable benefits may be reduced or eliminated.*

## EMPLOYER SURCHARGE

The law requires that all contributing employers who have not agreed to a Collective Bargaining Agreement that implements the Rehabilitation Plan, pay to the Plan a surcharge to help correct the Plan's financial situation beginning 30 days after the employer is notified that the Plan is in critical status. If applicable, the surcharge would have been 5% of an employer's negotiated contribution rate applicable the first Plan Year in critical status (September 1, 2009 through August 31, 2010) and would have been increased to 10% beginning September 1, 2010 for each succeeding Plan year in which the Plan remains in critical status. **As all contributing employers have agreed to a Collective Bargaining Agreement that implements the Rehabilitation Plan, no surcharges have been assessed.**

## **WHAT'S NEXT**

**We understand that legally required notices like this one can create concern about the Plan's future. Be assured that the Board of Trustees takes very seriously its obligation to preserve the financial viability of the Plan and has been very proactive in addressing funding issues. Also, if you are currently retired and receiving a monthly benefit payment from the Pension Fund, your monthly check will continue uninterrupted.**

With the assistance of the Plan's actuary, legal counsel and other professionals, and working with the contributing employers and the Union, the Trustees have developed a Rehabilitation Plan that addresses these issues. As a final note, since the Pension Plan is influenced by economic and financial variables beyond our control (such as market volatility and changes in employment and/or the number of contributing employers), unexpected developments can further affect the Plan's status and may require additional future corrective actions. Each year the Board of Trustees will review the Plan's progress with its professional advisors and adjust Plan rules as necessary to maintain the Plan's financial integrity.

## **WHERE TO GET MORE INFORMATION**

For more information about this notice or the Pension Plan in general, please contact the Trust Fund Office at the address or phone number below. You have a right to receive a copy of the Rehabilitation Plan from the Plan.

Carpenter Funds Administrative Office of Northern California, Inc.

P.O. Box 2280

Oakland, California 94621-1418

Toll-Free: (888) 547-2054 or (510) 633-0333

benefitservices@carpenterfunds.com

*As required by law, this notice is being provided to the Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor.*



December 27, 2011

**TO: All Participants, Beneficiaries, Participating Local Unions, and Contributing Employers**

**FROM: Board of Trustees**

**RE: CARPENTERS PENSION TRUST FUND FOR NORTHERN CALIFORNIA ANNUAL FUNDING NOTICE**  
**Plan Year: September 1, 2010 – August 31, 2011**

**Introduction**

This notice includes important funding information about your Pension Plan (“the Plan”). This notice also provides a summary of federal rules governing multiemployer plans in reorganization and insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the Plan Year beginning September 1, 2010, and ending August 31, 2011 (“Plan Year”).

**Funded Percentage**

The funded percentage of a plan is a measure of how well that plan is funded. 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. The Plan’s funded percentage for the Plan Year and two (2) 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.

Valuation Date	2010 Plan Year (as of) Sept. 1, 2010	2009 Plan Year (as of) Sept. 1, 2009	2008 Plan Year (as of) Sept. 1, 2008
Funded Percentage	68.79%	70.42%	77.45%
Value of Assets	\$2,152,762,763	\$2,096,733,007	\$2,191,795,132
Value of Liabilities	\$3,129,444,277	\$2,977,512,268	\$2,829,915,395

**Fair Market Value of Assets**

Asset values in the chart above are actuarial values, not market values. Market values tend to show a clearer picture of a plan’s funded status as of a given point in time. However, 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 for funding purposes. While actuarial values fluctuate less than market values, they are estimates. As of August 31, 2011, the fair market value of assets was \$2,047,830,443 (unaudited number, subject to change). As of August 31, 2010, the fair market value of the Plan’s assets was \$1,793,968,969. As of August 31, 2009, the fair market value of the Plan’s assets was \$1,747,277,506.

**Participant Information**

The total number of participants in the Plan as of the Plan’s valuation date was 45,392. Of this number, 14,734 were active participants, 13,724 were retired or separated from service and receiving benefits, and 12,415 were retired or separated from service and entitled to future benefits.

## **Funding & Investment Policies**

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for benefits promised under the plan currently and over the years. For this Plan, the collective bargaining agreements provide for employer contributions on an agreed-upon cents-per-hour basis. There are no employee contributions.

Once money is contributed to the Plan, the money is invested by Plan officials called fiduciaries. Specific investments are made in accordance with the Plan's investment policy. Generally, an investment policy is a written statement that provides the fiduciaries that are responsible for plan investments with guidelines or general instructions concerning various types or categories of investment management decisions. The investment policy of the Plan is to invest in a manner consistent with the fiduciary standards of ERISA, namely (1) to undertake all transactions in the sole interest of Plan Participants and Beneficiaries, (2) to provide benefits and defray reasonable expenses of Plan administration in a prudent manner, and (3) to diversify assets. All investments shall be made in compliance with relevant laws and the Trust Agreement governing the Trust.

In accordance with 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. The following allocations are percentages of total assets as of August 31, 2011:

### **Allocation of Investments – Year End August 31, 2011**

Interest-bearing cash	0.00%
U.S. Government Securities	3.79%
Corporate Debt Instruments	
• Preferred	1.85%
• All Others	11.17%
Corporate Stocks - Common	33.54%
Partnership/Joint Venture Interests	3.72%
Real Estate	1.67%
Loans	.37%
Value of Interest in Common/Collective Trusts	7.80%
Value of Interest in Pooled Separate Accounts	.65%
Value of Interest in Registered Investment Companies (e.g. Mutual Funds)	9.52%
Value of Interest in 103-12 Investment Entities	.10%
Other	25.82%
TOTAL	100.00%

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 Plan Administrator at the address provided under "Where to Get More Information."

### **Critical or Endangered Status**

Under federal pension law a plan generally will be considered to be in "endangered" or "seriously 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.

On November 25, 2009, for the Plan Year beginning September 1, 2009, the Plan's actuary certified the Plan to be in critical status because, a funding deficiency was projected in four years, the Plan's liability for inactive participants was greater than that for active participants, and the sum of the Plan's normal cost and interest on the unfunded benefits for the current year exceeded the present value of all expected contributions for the year.

On December 23, 2009, all Participants, Beneficiaries, participating Local Unions, and the Pension Benefit Guaranty Corporation were notified of the Plan's critical status, the requirement that the Board of Trustees adopt a rehabilitation plan, and the possibility that certain types of adjustable benefits could be eliminated under the rehabilitation plan.

On May 26, 2010, as permitted under the Worker, Retiree, and Employer Recovery Act of 2008 (WREERA), the Board of Trustees elected to extend the Plan's 10 year rehabilitation period to 13 years.

On July 27, 2010, as required by Federal law for pension plans in critical status, a Rehabilitation Plan consisting of two contribution rate/benefit schedules aimed at restoring the financial health of the Plan was adopted by the Board of Trustees. All contributing employers and bargaining units adopted the Rehabilitation Plan's "Preferred Schedule" which provided for a series of employer contribution increases and reductions in the future benefit accrual formula. However, no previously earned benefits or "adjustable benefits" were reduced or eliminated.

You may obtain a copy of the Plan's Rehabilitation Plan and the actuarial and financial data that demonstrate any action taken by the Plan toward fiscal improvement by contacting the Plan Administrator at the address provided under "Where to Get More Information."

#### **Events with Material Effect on Assets or Liabilities**

Federal law requires Trustees to provide in this notice a written explanation of events, taking effect in the current Plan year, which are expected to have a material effect on plan liabilities or assets. There are no scheduled Plan Amendments that take effect during the Plan year beginning September 1, 2011 and ending August 31, 2012, that would have a material effect on Plan liabilities and assets for the year.

#### **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 (i.e., Form 5500) containing 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. You may obtain a copy of the Plan's Annual Report by making a written request to the Plan Administrator. A copy of the Annual Report will not be available until June 2012.

#### **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. 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 law requires the plan to furnish this notification to each contributing employer and the labor organization.

Despite the special plan reorganization rules, a plan in reorganization nevertheless 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 the plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available financial resources. If such resources are not enough to pay benefits at a level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC, by law, 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 notification of the insolvency to participants and beneficiaries, contributing employers, labor unions representing participants, and the PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected as a result of the insolvency, 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 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.

*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**

For more information about this notice, or the Pension Plan in general, please contact the Trust Fund Office at:

Carpenter Funds Administrative Office of Northern California, Inc.  
P.O. Box 2280  
Oakland, California 94621-1418  
Toll-Free: (888) 547-2054 or (510) 633-0333  
benefitservices@carpenterfunds.com

For identification purposes, the official Plan number is 001 and the Plan's employer identification number or "EIN" is 94-6050970. For more information about the PBGC and benefit guarantees, go to the PBGC's website, [www.pbgc.gov](http://www.pbgc.gov), or call PBGC toll-free at 1(800) 400-7242 (TTY/TDD users may call the Federal Relay Service toll free at 1(800) 877-8339 and ask to be connected to 1(800) 400-7242).