



**32BJ Benefit Funds**  
25 West 18th Street  
New York, NY 10011-4676

[www.32bjfunds.org/employer](http://www.32bjfunds.org/employer)  
212-388-3354 Employer Services

October 24, 2014

Re: Notice of Funding Status for Plan Year ending June 30, 2014

Dear Participating Employer:

Enclosed are two important documents relating to the Building Service 32BJ Pension Fund (the "Fund"): an Annual Funding Notice and a Notice of Critical Status

Pension funds are designed to provide benefits over the long term and the Trustees are committed to ensuring the long-term viability of the Pension Fund. Each year, the Trustees review the funding status of the Fund to make sure the Fund is on track to meet its funding goals. The Fund is considered to be in critical status (in the "red" zone) under the Pension Protection Act of 2006 (PPA), largely because of sharp declines in financial markets in 2008. The enclosed Notice of Critical Status explains what this means for the Fund. The Annual Funding Notice provides detailed information about the Fund.

The PPA requires that the Trustees design a new funding program ("Rehabilitation Plan") with several options or "schedules" to improve the Fund's funding status over the long term. In 2010, you received a copy of the Rehabilitation Plan. Since then all collective bargaining agreements were renegotiated to conform to the Preferred Schedule of the Rehabilitation Plan. For that reason, the surcharge was not imposed on any contributing employers and benefits were not reduced for any participants. On July 17, 2013, the Trustees amended the Rehabilitation Plan requiring that the Trustees will not accept a collective bargaining agreement that is not consistent with the Preferred Schedule. You received a copy of the Amendment in October, 2013.

If you have any questions regarding this letter, please contact your employer representative at the Funds or Kevin Toomey at 212-388-3518.

Sincerely,

A handwritten signature in black ink, appearing to read 'Larry Gonzalez', written in a cursive style.

Larry Gonzalez  
Director of Finance and Administration

**ANNUAL FUNDING NOTICE**  
**FOR**  
**BUILDING SERVICE 32BJ PENSION FUND**

**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 (referred to hereafter as “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.

	2013 Plan Year	2012 Plan Year	2011 Plan Year
Valuation Date	July 1, 2013	July 1, 2012	July 1, 2011
Funded Percentage	60.1%	58.3%	57.8%
Value of Assets	\$1,907,384,071	\$1,784,859,895	\$1,716,300,109
Value of Liabilities	\$3,172,479,180	\$3,061,159,029	\$2,967,794,491

### 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 below 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:

	June 30, 2014	June 30, 2013	June 30, 2012
Fair Market Value of Net Assets	\$2,085,961,828	\$1,793,666,019	\$1,621,223,945

The fair market value of the Plan's assets as of June 30, 2014 is preliminary and subject to change during the annual audit process.

### 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 certified to be in "critical" status for the Plan Year beginning July 1, 2013 because there was a projected Funding Standard Account deficiency within four years. In an effort to improve the Plan's funding situation, the Board of Trustees (the "Trustees") adopted a Rehabilitation Plan on September 28, 2010 designed to assist the Plan in emerging from critical status by the end of the Rehabilitation Period applicable to the Plan. The Rehabilitation Period for this Plan is a 10-year rehabilitation period that began July 1, 2013. The Rehabilitation Plan describes the actions to be taken by the Plan's Trustees, and the benefit and contribution changes to be bargained by the bargaining parties to achieve a timely emergence from critical status. The Trustees shall update annually the Rehabilitation Plan to reflect the experience of the Plan.

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 identified below under "Where To Get More Information."

The Plan is in critical status for the Plan Year ended June 30, 2014. A separate notification of that status accompanies this notice.

### **Participant Information**

The total number of participants in the Plan as of the Plan's valuation date was 93,833. Of this number, 47,326 were active participants, 27,319 were retired or separated from service and receiving benefits, 13,647 were retired or separated from service and entitled to future benefits and 5,541 deceased participants whose beneficiaries are receiving or are entitled to receive benefits.

### **Funding & 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 as follows:

The Plan's funding policy is to fund the Plan through a combination of contributions received from employers required to be made pursuant to collective bargaining agreements with Service Employees International Union Local 32BJ, the Union that represents the Plan's participants, and investment income generated by the Plan's investments. The funding level is designed to comply with the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA") and the Internal Revenue Code.

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 speaking, an investment policy is a written statement that provides the fiduciaries who 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 as follows:

The Investment Policy Statement ("IPS") of the Plan is a written document which the Board of Trustees has adopted to establish a framework for investing the assets in a manner consistent with the fiduciary standards of ERISA. The IPS provides that the Trustees have the responsibility to prudently guide the Plan's investment program, establishing its investment policies and a suitable asset allocation, and to invest the assets in a manner consistent with the Plan's investment objectives, asset allocation policy, tolerance for risk, appropriate portfolio diversification and liquidity needs. The IPS also provides that the Trustees will select appropriate professionals to invest assets, and to assist in prudently measuring and evaluating investment performance on a regular basis.

The long term investment objectives set forth in the IPS are several: to maintain sufficient income, liquidity, diversification and controlled volatility to facilitate the payment of benefits and expenses; to earn a long term, competitive rate of return; and to establish an asset allocation that is reasonably designed to maximize the rate of return.

Under the Plan's IPS, 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. Interest-bearing cash	1%
2. U.S. Government securities	-
3. Corporate debt instruments (other than employer securities):	
Preferred	2%
All other	-
4. Corporate stocks (other than employer securities):	
Preferred	-
Common	17%
5. Partnership/joint venture interests	8%
6. Real estate (other than employer real property)	-
7. Loans (other than to participants)	-
8. Participant loans	-
9. Value of interest in common/collective trusts	65%
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)	3%
14. Value of funds held in insurance co. general account (unallocated contracts)	1%
15. Employer-related investments:	
Employer Securities	-
Employer real property	-
16. Buildings and other property used in Plan operation	-
17. Other	3%

The asset allocations, and related asset values, are preliminary and subject to change during the annual audit process.

For information about the Plan's investment in the common/collective trusts, please contact the Plan Administrator identified below under "Where To Get More Information."

### **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 identified below under "Where To Get More Information." 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."

The Annual Report for the 2014 Plan Year will not be available until mid-April of 2015.

### **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 cannot 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.

*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, you may contact the Plan's designated representative at:

Régine Breton  
Director of Retirement Services  
25 West 18<sup>th</sup> Street  
New York, NY 10011-4676  
(212) 388-3500

For identification purposes, the official Plan Number is 001 and the Plan Sponsor's Employer Identification Number or "EIN" is 13-1879376. For more information about the PBGC, go to PBGC's website, [www.pbgc.gov](http://www.pbgc.gov).

## **NOTICE OF CRITICAL STATUS FOR BUILDING SERVICE 32BJ PENSION FUND**

The purpose of this Notice is to inform you that, on September 26, 2014, the actuary of the Building Service 32BJ Pension Fund ("Fund") certified to the U.S. Department of the Treasury, and also to the Board of Trustees of the Fund, that the Fund is in critical status for the plan year beginning July 1, 2014. Federal law requires that you receive this Notice.

### **Critical Status**

The Fund is considered to be in critical status because it has funding or liquidity problems, or both. More specifically, the Fund's actuary has determined that the Fund is projected to have an accumulated funding deficiency within four plan years. ]

### **Rehabilitation Plan and Possibility of Reduction in Benefits**

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. If the Fund's Trustees determine that benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Any reduction of adjustable benefits (other than a repeal of a recent benefit increase, as described below) will not reduce the level of a participant's basic benefit payable at normal retirement. In addition, the reductions will apply only to those participants and beneficiaries whose benefit commencement date is on or after the date of the initial notice of the Fund's critical status which was October 28, 2010.

### **Adjustable Benefits**

The Fund offers the following adjustable benefits which may be reduced or eliminated as part of the Fund's rehabilitation plan:

- 36-month (or 12 month in Program B) payment guarantees
- Disability benefits (not yet in pay status)
- Early retirement benefit
- Recent benefit increases (e.g. occurring in the past 5 years before the adoption of the Rehabilitation Plan)

Under the original Rehabilitation Plan adopted by the Fund's Board of Trustees, one schedule provided for an increase in contributions only, while the other schedule reduced future benefit accruals, eliminated the adjustable benefits described above, and increased contributions. Effective July 17, 2013, the Rehabilitation Plan contains only one schedule, which provides for increased contributions only.

### **Employer Surcharge**



The law requires that contributing employers pay to the Fund a surcharge to help correct the Fund's financial situation unless the bargaining parties amend their collective bargaining agreement to include terms consistent with the schedules set forth in the Rehabilitation Plan. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the Fund under the applicable collective bargaining agreement. A 5% surcharge was applicable in the initial critical year (2010).

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

For more information about this Notice, you may contact the Fund Office at 25 West 18<sup>th</sup> Street, New York, NY 10011-4676 or 212-388-3500. You have a right to receive a copy of the Rehabilitation Plan from the Fund.