NORTHERN CALIFORNIA GLAZIERS, ARCHITECTURAL METAL, AND GLASSWORKERS PENSION PLAN

2016 Updated Rehabilitation Plan

November 9, 2016

Introduction

ERISA requires the Trustees of a multiemployer pension plan that has been certified by the plan's actuary as being in critical status to develop a Rehabilitation Plan that is intended to enable the plan to cease to be in critical status by the end of the plan's rehabilitation period. The Rehabilitation Plan must be based on reasonably anticipated experience and on reasonable actuarial assumptions. On September 28, 2010, the Northern California Glaziers, Architectural Metal and Glassworkers Pension Plan ("Plan") was certified by its actuary to be in critical status for the plan year beginning July 1, 2010. It has remained in critical status each year up to and including July 1, 2016.

This Rehabilitation Plan:

1. Specifies the rehabilitation period and the expected emergence date;

2. Describes alternatives the Trustees considered in preparing the 2014 Updated Rehabilitation Plan, upon which this 2016 Update is based;

3. Explains why the Trustees concluded that there are no reasonable measures that would enable the Fund to emerge from critical status by the end of the rehabilitation period;

4. Includes a single schedule (the Recommended Schedule) of benefit and contribution changes that will be provided to the bargaining parties, which must be implemented as part of future collective bargaining agreements between local unions and contributing employers entered into or renewed after January 5, 2017. The Plan's Joint Board of Trustees has unanimously recommended the adoption of the Recommended Schedule;

5. Provides annual standards for meeting the requirements of the Rehabilitation Plan and describes how the Rehabilitation Plan will be updated from time to time; and

6. Describes how the prior Schedule (as updated) will be automatically implemented if there is no agreement between the bargaining parties in a timely manner.

Rehabilitation Period and Expected Emergence Date

Pursuant to the Employee Retirement Income Security Act ("ERISA"), specifically ERISA §305(e)(4)(A)(ii), and based on information about the expiration of the then current collective bargaining agreements, the Trustees originally determined that the rehabilitation period would begin July 1, 2011 and have a duration of ten years. The three-year extension under section 205 of WRERA was not elected. The Rehabilitation Plan, as originally adopted and maintained, was intended to cause the plan to emerge from critical status by the end of the ten-year period, i.e., by July 1, 2021. However, the Trustees recognize that ERISA also specifically provides for a pension plan to emerge from critical status later than the end of the rehabilitation period, if possible, or to forestall insolvency if the plan cannot reasonably be expected to emerge by the end of the period, or at all, as determined by the Trustees. For the reasons set forth below, the Trustees determined in 2014 that, based on reasonable actuarial assumptions and upon exhaustion of all reasonable measures, the plan could not reasonably be expected to emerge from critical status by July 1, 2021. Instead the Trustees updated the Rehabilitation Plan with reasonable measures such that, under reasonable assumptions, the Plan was projected to emerge from critical status seven years later, i.e., by July 1, 2028. With the Rehabilitation Plan update adopted November 4, 2015, this projected date of emergence was revised to July 1, 2029. However, based on updated projections that take into account Plan experience over the plan year July 1, 2015 to June 30, 2016, the Trustees now estimate that the Plan will not emerge until July 1, 2036.

Delayed Emergence from Critical Status

The Board of Trustees considered several actions and alternatives that would enable the Fund to emerge from critical status either by the end of the rehabilitation period or as soon as reasonably possible after the period. Based on input from the Fund's actuary, the Trustees have determined that the remedies necessary to emerge from critical status by the end of the rehabilitation period (July 1, 2021) were unreasonable measures that would be untenable or counterproductive and adverse to the Fund and Fund participants. The remedies and alternatives reviewed pursuant to Code Sec. 432(e)(3)(A)(ii) and considered by the Trustees included the following:

1. <u>Increase in contributions</u>: Prior to this update, the Rehabilitation Plan required increases in the main journeyman rate such that it would reach $11.00 per hour by January 1, 2018 under the Recommended Schedule. An immediate rate increase that would have accumulated to essentially equivalent results was required under the Default Schedule. The Trustees have concluded that requiring increases beyond this level would be detrimental to the Fund, due to i) employers becoming less competitive which would ultimately lead to less work for union members and correspondingly fewer hours contributed to the Plan, and ii) migration of members to non-union jobs to avoid the high contribution rate, most of which is uncredited toward benefits under the Plan, and which will increase the net reduction in hours and dollars contributed to the Plan.

2. <u>Cutbacks in plan benefits</u>: After reviewing the current plan of benefits and changes already made thereto pursuant to the Rehabilitation Plan, the Trustees determined that the only benefit provisions remaining from which significant savings could be extracted are the Service Pension and the subsidy in the marital annuity. The Trustees determined that

the cutbacks made when the plan first entered critical status were, and still are, reasonable in that any further cuts would be detrimental to the plan if they result in reduced plan participation and fewer hours contributed in the future.

Although the plan was initially (2010-2011) determined to be able to emerge from critical status by 2021 based on the benefit reductions described herein and a journeyman contribution rate that grew to $11.00 per hour, changes since that time have made this projected outcome no longer possible under the reasonable assumptions being used. In particular, revised actuarial assumptions for purposes of the annual funding valuations, which the Trustees believe are reasonable for purposes of developing the Rehabilitation Plan as well, have resulted in higher plan liabilities, largely due to longer projected lifespans for plan participants. In addition, due to a revised assessment of industry conditions the Trustees do not project covered hours of employment to be as high over the long term as they previously did, resulting in lower projected contribution income to the Fund.

Rehabilitation Plan Benefit Changes and Contribution Increases

Schedules

The Recommended Schedule attached hereto describes changes in benefits and supplemental contributions. This schedule is identical to its predecessor in the 2015 Updated Rehabilitation Plan.

Non-active Participants

- Retired Participants

    - Generally Participants who retire prior to July 1, 2011 are not affected by this Rehabilitation Plan (i.e., no change in the benefits currently being paid).

    - However, Participants who retire after October 28, 2010 and before July 1, 2011 will be subject to the following rules:

a) if a participant works in suspendible industry service after retirement before receiving 12 monthly pension benefit payments, upon the Participant's re-retirement, the Participant will be subject to all of the benefit reductions contained in the Participant's applicable schedule the same as if he had retired on or after July 1, 2011; however,

b) if a participant works in suspendible industry service after retirement after the Participant has received at least 12 monthly pension benefit payments, upon the Participant's re-retirement, the Participant will receive the same benefit that the Participant was receiving prior to the Participant's work in suspendible industry service.

- Inactive Vested Participants

    - Participants who terminate covered employment after their employer negotiates a new collective bargaining agreement consistent with this Rehabilitation Plan shall have their benefits determined based on the schedules included as part of such agreement.

    - However, all other participants who terminated or will terminate covered employment but have vested rights to a pension shall have their benefits determined based on the provisions of the Recommended Schedule of the original rehabilitation plan adopted May 11, 2011, unless they retire prior to July 1, 2011.

Implementation of Benefit Changes

The benefits of participants who commenced receipt of benefits prior to July 1, 2011 are not subject to reduction upon imposition of any schedule under this Rehabilitation Plan, subject to the rules relating to the payment of benefits upon re-retirement set forth above.

Benefit reductions for all active participants become effective when their employer's collective bargaining agreement is revised to include terms consistent with this Rehabilitation Plan on or after October 28, 2010 – but no earlier than July 1, 2011, and no later than 180 days following the expiration date of the collective bargaining agreement in effect on July 1, 2010.

A participant's employer will be the employer for whom he/she has worked the most hours in covered employment as determined by the Plan.

For a non-collectively bargained active participant on July 1, 2010 that has had contributions made to the Plan under the terms of a subscription agreement, the effective date for compliance will be July 1, 2011.

Automatic Imposition of Prior Schedule, as Updated

If a collective bargaining agreement providing for contributions in accordance with a Schedule expires after one or more updated Schedules have been provided and the bargaining parties fail to adopt a contribution schedule consistent with the updated Rehabilitation Plan and any of its Schedules, then by 180 days after the expiration of such agreement, the Schedule applicable to the expired agreement, as updated and in effect on such expiration date, will be automatically imposed. For purposes of the automatic imposition of an updated Schedule 180 days after the date on which the collective bargaining agreement expires, a collective bargaining agreement that is extended past its original scheduled expiration date shall be considered to have expired on its scheduled expiration date.

Annual Standards for Meeting the Rehabilitation Requirements

Based on reasonable assumptions, the Plan is expected to emerge from critical status by July 1, 2036. However, the year of projected emergence can vary each year as actual experience differs from the assumptions. The Trustees recognize the possibility that actual experience could be less favorable than the reasonable assumptions used for the Rehabilitation Plan. Consequently, the annual standard for measuring the Fund's scheduled progress under the Rehabilitation Plan, effective with scheduled progress certifications due 90 days after July 1, 2017, is for updated actuarial projections each year to show, based on reasonable assumptions, that under the Rehabilitation Plan (as amended from time to time) the Fund's projected date of emergence from critical status will not occur later than July 1, 2045.

Annual Updating of Rehabilitation Plan

Each year the Plan's actuary will review and certify the status of the Plan, in accordance with ERISA §305(b)(3), and will also certify as to whether, starting with the beginning of the rehabilitation period, the Plan is making the scheduled progress in meeting the requirements of the Rehabilitation Plan. If the Trustees determine that it is necessary in light of updated information, they will revise the Rehabilitation Plan and present updated schedules to the bargaining parties. Notwithstanding subsequent changes in benefit and contribution schedules, a schedule provided by the Trustees and relied upon by the bargaining parties in negotiating a collective bargaining agreement shall remain in effect for the duration of that collective bargaining agreement.

Other Issues

Since contracts are typically negotiated for less than a 10-year period, it is expected that future contract renewals will be consistent with the schedule or schedules of the Rehabilitation Plan. The Trustees may adjust this schedule, or add additional schedules as appropriate, at any time during the rehabilitation period.

In addition, the Plan will not accept a collective bargaining agreement or participation agreement that provides for a reduction in the level of contributions for any participants, a suspension of contribution with respect to any period of service, or any new direct or indirect exclusions of young or newly hired employees from Plan participation.

RECOMMENDED SCHEDULE

Affected Participants

The changes described in this schedule apply to participants retiring or terminating employment after this schedule is adopted who become covered by a new agreement conforming to the schedule. Also benefits for deferred vested participants (i.e. participants who are not working in covered employment but who have a vested deferred benefit under the Fund) are payable in accordance with the provisions of this Schedule if the participant left covered employment before a different schedule was agreed to by his/her employer. In addition, benefits for participants who retire after July 1, 2011 and before a different schedule is agreed to by his/her employer are payable in accordance with the provisions of this Schedule.

Participants Retiring After October 28, 2010 and Before July 1, 2011

Participants who retire after October 28, 2010 and before July 1, 2011 will be subject to the following rules:

a) if a Participant works in suspendible industry service after retirement before receiving 12 monthly pension benefit payments, upon the Participant's re-retirement, the Participant will be subject to all of the benefit reductions contained in the Participant's applicable schedule the same as if he had retired on or after July 1, 2011; however,

b) if a Participant works in suspendible industry service after retirement after the Participant has received 12 monthly pension benefit payments, upon the Participant's re-retirement, the Participant will receive the same benefit that the Participant was receiving prior to the Participant's work in suspendible industry service.

Benefit Changes Effective July 1, 2011

- The disability benefit subsidy is eliminated for any participants who are not in pay status as a disabled participant, regardless of the date of their Social Security Award, with their benefit being the actuarial equivalent of their normal retirement age accrued benefit;

- The 60-month guarantee period is eliminated with respect to benefits not in pay status;

- The Lump Sum Pre-Retirement Death Benefit is eliminated; and

- Early retirement pensions will be payable under current Fund eligibility rules but at a full actuarial reduction that does not include any retirement-type subsidy. The current Marital Annuity adjustment factors, if any, will be continued.

- Service Pensions will be payable with no early retirement reductions under any of the following provisions:

    - At age 52 with 60,000 hours of credited service
    - At age 55 with 54,000 hours of credited service

Suspension of Benefit Rules

Effective July 1, 2011 the Plan's suspension of benefit rules for participants subject to the Recommended Schedule will be changed as follows for all benefits whenever accrued:

- Benefits for participants who retire before their normal retirement age will be suspended for any month in which a retiree works one or more hours in Industry Service. (Industry Service is work in the same industry, trade or craft, and geographic area covered by the Plan.) Suspensions for less than 40 hours of such work in a month will result in actuarial increases when retirement benefits resume for such participants.

- The exception for retirees who return to work in a managerial capacity under Plan Amendment Number Six will be eliminated.

- The geographic area in which work by a retiree will result in a suspension of benefits will include Nevada.

Contributions

The Trustees agree to apply the maximum relief available to the Plan under the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 ("the Pension Relief Act"), subject to the recommendation of Plan consultants and counsel as to the type and extent of the relief that can be utilized by the Plan as part of this Rehabilitation Plan, so long as the relief does not require further reduction of benefits or additional employer contributions beyond what is required in the Schedules, and does not restrict in any way the Trustees' ability to adopt possible benefit improvements after emergence from critical status.

Employer contribution rate levels shall increase by the following percentages effective January 1, 2011:

Effective Date of Increase	Percent Increase on rate in Effect on Prior December 31 (Not including Surcharge)
January 1, 2011	0%
January 1, 2012	0%
January 1, 2013	11.54%
January 1, 2014	10.34%
January 1, 2015	9.38%
January 1, 2016	8.57%
January 1, 2017	7.89%
January 1, 2018	7.32%

If an employer's collective bargaining agreement that was in effect on the date the initial set of Schedules was provided to the bargaining parties expires after January 1, 2012, that employer shall enter the schedule at the contribution rate for the year in which the schedule first applies to that employer (including all prior percentage increases under this schedule), and the increases shall take effect on January 1 of subsequent years even if the initial rate increase was not for a full year.

All additional contributions pursuant to this schedule shall be disregarded for purposes of determining participants' accrued benefits.

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