

MICHIGAN BAC PENSION PLAN
FUNDING IMPROVEMENT PLAN UPDATE #3 ADOPTED AUGUST 18, 2017
Funding Improvement Period: May 1, 2015 – April 30, 2025

This funding improvement plan document, which federal law requires, includes important information about the funding level of the Michigan BAC Pension Plan (“Fund” or “Plan”), Plan Number 001, Employer Identification Number 38-2895943 (Plan and Plan Sponsor).

Background

In 2006 the Pension Protection Act (“PPA”) was enacted. Beginning with the 2008 plan year, that law requires the annual certification of the Plan’s funding status as critical, endangered or neither. Another law, the Multiemployer Pension Reform Act of 2014 (“MPRA”), made a number of changes to the PPA, some of which are discussed below.

On July 28, 2017 the Plan’s actuary certified the Plan’s funding status as “endangered” for the 2017 plan year. The Plan is considered to be in endangered status because the funded percentage is below 80% (actual value in the certification was 75.2%), and, at the time, there were no projected funding deficiencies in the current or next 6 plan years. The funded percentage is the fraction of earned benefits that could be funded with existing Plan Assets. A projected funding deficiency is a sign that the anticipated liabilities of the Plan are outpacing its assets.

Federal law requires pension plans in endangered status to adopt a funding improvement plan (“FIP”) aimed at restoring the financial health of the Plan.

Goals and Requirements of the Funding Improvement Plan

The FIP has two goals which must be met over a 10-year period called the “funding improvement period”: (1) improve the funded ratio at the start of the funding improvement period (78.3% as stated in the May 1, 2015 actuarial valuation report) to be 33% closer to 100% (producing a target of 85.5%) at the end of such period, and (2) project no funding deficiency for the last plan year of the funding improvement period.

Each of the attached schedules is expected to constitute a valid FIP schedule that is expected to meet the two goals noted above:

- The “Default Schedule” is the first schedule and is required by law to be included in the FIP. It reduces the main benefit accrual formula before considering any contribution rate increases. The Default Schedule will only be followed if it is actually elected or if the bargaining parties cannot agree to follow another schedule.
- The “Contribution Rate Increase Schedule” is the second schedule and also is required by law to be included in the FIP. It increases the contribution rate without any reductions to the main benefit accrual formula.
- The “Preferred Schedule” is not required by law, but it reflects the combination of benefit changes and contribution rate increases “preferred” by the Trustees and represents the option that will presumably be selected by the bargaining parties.

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Default Schedule

<i>Benefit Changes effective May 1, 2017</i>	Benefit accrual rate is lowered from 1.00% to 0.53% of contributions for which work is performed on or after May 1, 2017
<i>Contribution Rate Changes</i>	None

Contribution Rate Increase Schedule

<i>Benefit Changes effective May 1, 2017</i>	None
<i>Contribution Rate Changes</i>	<p>Non-credited contribution rate increases effective on the applicable contract anniversary date in the given year:</p> <ul style="list-style-type: none"> ○ 2.55% effective in 2017 ○ 2.55% effective in 2018 ○ 2.55% effective in 2019 ○ 2.55% effective in 2020 ○ 2.55% effective in 2021 <p>(Increases are non-credited, non-compounding and based on the total contribution rate in effect as of July 31, 2013 but excluding the \$1.14 increase that took effect in 2013, if applicable)</p>

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Preferred Schedule

<i>Benefit Changes effective August 1, 2017</i>	Benefit accrual rate for contribution increases on or after January 1, 2017, in excess of the amount required each year under the funding improvement plan for work performed on or after August 1, 2017, will be increased from 1.00% to 2.00% of contributions (the Plan's Enrolled Actuary has certified that such increased benefit accruals will be paid for with contributions not contemplated in this funding improvement plan).
<i>Contribution Rate Changes</i>	<p>Non-credited contribution rate increases effective on the applicable contract anniversary date in the given year:</p> <ul style="list-style-type: none"> ○ 2.55% effective in 2017 ○ 2.55% effective in 2018 ○ 2.55% effective in 2019 ○ 2.55% effective in 2020 ○ 2.55% effective in 2021 <p>(Increases are non-credited, non-compounding and based on the total contribution rate in effect as of July 31, 2013 but excluding the \$1.14 increase that took effect in 2013, if applicable)</p>

Endangered Status Limitations

Some limits apply regardless of which schedule is followed.

Contribution Reductions – After the initial certification of endangered status, and prior to the adoption of an FIP, the Plan may not accept a contribution agreement that provides for a reduction in the level of contributions for any participants, a suspension of contributions with respect to any period of service, or any new direct or indirect exclusion of younger or newly hired employees from Plan participation. Rejection of the contract may cause a withdrawal and assessment of withdrawal liability.

Benefit Increase – After the initial certification of endangered status, and prior to the adoption of an FIP, no Plan amendment can increase the liabilities of the Plan by reason of any increase in benefits, any change in the accrual of benefits, or any change in the rate at which benefits become vested unless required by law. After the adoption of an FIP, the Plan may only increase benefits, including future benefit accruals, if the Plan actuary certifies that the increase is paid for out of additional contributions not contemplated by the FIP and, after taking into account the benefit increase, the Plan is still reasonably expected to meet applicable benchmarks. Such restrictions continue until the end of the funding improvement period.

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Other Details Regarding the Funding Improvement Plan

Details Applicable to the Default, Contribution Rate Increase, and Preferred Schedules

<i>Assumed Return on Assets</i>	13.34% in plan year ending 2017 7.25% in plan years ending 2018 - 2027 7.50% in each plan year thereafter
<i>Assumed Future Work</i>	916,852 in plan year ending 2017 900,000 in each plan year thereafter
<i>2017 PPA Status</i>	Endangered
<i>Projected PPA Status at End of Funding Improvement Period</i>	Neither critical nor endangered (i.e. in the “green zone”)
<i>Assumed average contribution rate increase effective on or after 1/1/2017 in excess of FIP requirements (for preferred schedule projections only)</i>	0.68% of the total contribution rate in effect as of July 31, 2013 but excluding the \$1.14 increase that took effect in 2013, if applicable
<i>Demographic Data, Assumptions, Methods and Plan Provisions (except as otherwise provided herein)</i>	Based on the May 1, 2016 actuarial valuation report except a 0.26% adjustment was made to all prior accruals for active participants in order to reflect a pending correction in credited contribution amounts

Default Schedule - Projected Results

<i>As of</i>	<i>Funded Ratio Percentage</i>	
	<i>Expected</i>	<i>Target Level</i>
5/1/2017	75.2%	
5/1/2018	74.5%	
5/1/2019	75.2%	
5/1/2020	76.0%	
5/1/2021	78.5%	
5/1/2022	80.2%	
5/1/2023	81.9%	
5/1/2024	83.7%	
5/1/2025	85.6%	85.5%

<i>As of</i>	<i>Expected Form 5500 Credit Balance</i>
4/30/2017	16,838,000
4/30/2018	14,997,000
4/30/2019	14,482,000
4/30/2020	14,471,000
4/30/2021	14,950,000
4/30/2022	16,259,000
4/30/2023	17,759,000
4/30/2024	19,366,000
4/30/2025	21,000,000

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Contribution Rate Increase Schedule - Projected Results

<i>As of</i>	<i>Funded Ratio Percentage</i>	
	<i>Expected</i>	<i>Target Level</i>
5/1/2017	75.2%	
5/1/2018	74.3%	
5/1/2019	74.9%	
5/1/2020	75.7%	
5/1/2021	78.1%	
5/1/2022	79.9%	
5/1/2023	81.8%	
5/1/2024	83.6%	
5/1/2025	85.6%	85.5%

<i>As of</i>	<i>Expected Form 5500 Credit Balance</i>
4/30/2017	16,838,000
4/30/2018	14,495,000
4/30/2019	13,613,000
4/30/2020	13,365,000
4/30/2021	13,748,000
4/30/2022	15,112,000
4/30/2023	16,711,000
4/30/2024	18,424,000
4/30/2025	20,173,000

Preferred Schedule - Projected Results

<i>As of</i>	<i>Funded Ratio Percentage</i>	
	<i>Expected</i>	<i>Target Level</i>
5/1/2017	75.2%	
5/1/2018	74.3%	
5/1/2019	74.9%	
5/1/2020	75.7%	
5/1/2021	78.2%	
5/1/2022	80.0%	
5/1/2023	81.8%	
5/1/2024	83.7%	
5/1/2025	85.6%	85.5%

<i>As of</i>	<i>Expected Form 5500 Credit Balance</i>
4/30/2017	16,838,000
4/30/2018	14,502,000
4/30/2019	13,628,000
4/30/2020	13,390,000
4/30/2021	13,784,000
4/30/2022	15,160,000
4/30/2023	16,771,000
4/30/2024	18,497,000
4/30/2025	20,259,000

The goals applicable to all schedules are to exceed the target funded ratio at the conclusion of the funding improvement period and to not project a funding deficiency (i.e., negative credit balance) for the last plan year of the funding improvement period.

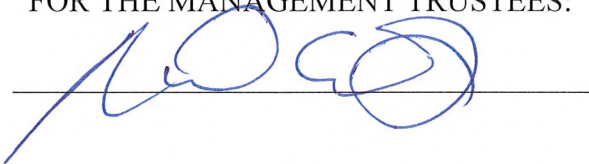
The only measure of “scheduled progress” will be the projection of whether the Plan is expected to meet the goals identified on the first page of this document. The projections included in this document are for information only and will not be used in determining whether the Plan is making “scheduled progress.”

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IN WITNESS WHEREOF, we have adopted this funding improvement plan this eighteenth (18th) day of August, 2017.

APPROVED:

FOR THE MANAGEMENT TRUSTEES:



FOR THE UNION TRUSTEES:

