NOTICE OF ELECTION OF FUNDING RELIEF
AND APPLICATION OF SPECIAL FUNDING RULES
April 2011

To: All Plan Participants, Beneficiaries, and the Pension Benefit Guaranty Corporation

Introduction and Plan Identification Information

Plan Name: International Painters & Allied Trades Industry Pension Plan
Taxpayer ID Number (EIN): 52-6073909
Plan Number: 001

On June 25, 2010, President Obama signed the Preservation of Access to Care of Medicare Beneficiaries and Pension Relief Act of 2010 (the “Pension Relief Act”). The Pension Relief Act gives pension plans additional time to deal with investment losses that occurred from the collapse of investment markets in 2008. The Trustees have elected to take this relief for the International Painters & Allied Trades Industry Pension Plan (the “Plan”).

Electing funding relief provides some much needed assistance in helping the Plan address its funding issues, but it does not create any additional assets to pay benefits. It merely provides a longer period of time to recover from the 2008 market crash. The Trustees continue to be committed to ensure the sound financial health of the Plan for the future. Electing the funding relief is just one step of this process.

The Pension Relief Act permits the Plan to adopt special funding rules, including a “special amortization rule” and a “special asset valuation rule.” The Trustees have elected to use both rules for the Plan’s investment losses that occurred in the Plan Year beginning January 1, 2008 and ending December 31, 2008 (the “2008 Plan Year”). In order to be eligible for this relief, the Plan’s actuary has certified that the Plan is projected to have sufficient assets to pay expected benefit payments and expenses for the extended funding period, as explained below.

Effect of Applying the Special Funding Rules

Special Amortization Rule. When determining the Plan’s required minimum funding, the Plan normally must pay off (“amortize”) any investment losses over a fifteen (15) year period. Under the special amortization rule, the Plan will amortize investment losses incurred in the 2008 Plan Year for a period of twenty-nine (29) years.

Special Asset Valuation Rule. The minimum funding rules also allow plans to look at investment returns over a five year period, rather than adjusting for market value changes each year. Under the special asset valuation rule, the Plan will be able to adjust for the difference between the amount the Plan expected to earn on its investments for 2008 (a 7.5% annual return) and the actual large loss that occurred during the 2008 Plan Year. Normally, this difference is spread over a five (5) year period, but will be spread over a ten (10) year period under the special asset valuation rule.

Both rules will first apply during the Plan Year beginning January 1, 2009 and ending December 31, 2009.
Contribution and Funding Impact. The special funding rules will permit the Plan to recognize the extraordinary investment losses of the 2008 Plan Year over a greater period of time. This may decrease the amount of required minimum contributions that are taken into account in determining the appropriate contribution rates under the collective bargaining agreements and avoid problems that new contribution obligations could create for employers and employee plan participants. The special funding rules may also affect the Plan’s “funding zone” status under Internal Revenue Code Section 432(b), such as “critical” (red zone), or “endangered” (yellow zone) in future plan years.

Benefit Restrictions. The Plan remains in endangered status with existing limits on increased benefits. Due to use of the special funding rules, the Plan will be prohibited from increasing benefits during the two plan years immediately following any plan year in which either or both of the special funding rules apply. There are two exceptions to this general rule. One exception is for an increase that is required as a condition of tax-exempt status (“qualification”) under the Internal Revenue Code or to comply with other applicable law. The other exception is for an improvement paid for with additional employer contributions that have not been previously allocated to the Plan. Under this exception, the Plan’s actuary must also certify that the additional contributions exceed the cost of the additional benefit.

Contact Information

If you have any questions or would like more information about these special funding rules, please contact Gary J. Meyers, Fund Administrator, 7234 Parkway Drive, Hanover, MD 21076, 410-564-5500, pension@iupat.org.