

# FCA Labor Management Symposium

Clearwater, FL 2025

Dan Williams, Fund Administrator  
Adam Boston, Chief Legal Officer

Industry Retirement Funds



# Agenda

- Industry Plan Update (US and Canada)
- Short Term Scenarios (US)
- Collections Update
- Audit Program
- Investment Objectives
- Fund Office Update

# US Industry Plan

Industry Retirement Funds



# Investment Return Assumptions

- Red Zone – Lowered Actuarial Target from 7.5% to 7%
- Rehab Plan built 6.5% through 2030
- Investment Consultant Capital Market Assumptions
  - 10 yr (6.8%)
  - 30 yr (7.0%)
- 2030 and beyond 7%


# VBAR Formula

## Overview

- Variable Benefit Accrual Rate (VBAR) structure effective January 1, 2022
- Rate varies based on 3-year average investment returns on market value of assets
- One-year lag (e.g., 2025 rate is based on 3-year average return from 2021-2023)
- Participant must have at least 450 hours in a plan year to earn an accrual
- Lower accrual rate applies for first 9,000 hours (prior hours count toward this threshold)

3-Year Average Asset Return	Default Schedule and Alternate Schedule 1		Alternate Schedule 2	
	First 9,000 Hours	After 9,000 Hours	First 9,000 Hours	After 9,000 Hours
15.0% and up	1.00%	1.30%	1.15%	1.50%
10.0% to 14.9%	0.80%	1.05%	0.95%	1.25%
<b>5.0% to 9.9%</b>	<b>0.65%</b>	<b>0.85%</b>	<b>0.75%</b>	<b>1.00%</b>
0.0% to 4.9%	0.50%	0.65%	0.60%	0.75%
Below 0.0%	0.35%	0.45%	0.40%	0.50%

# Experience since Trustees adopted Rehab Plan

Year	Hours (52,53,54 million)	Investment Return (6.5%)
2022	58 million +	-8.8% 
2023	61 million +	+9.7% +
2024	56 million +	+10.5% +

Industry Retirement Funds



# Short Term Scenarios

Industry Retirement Funds



# Overview

## Baseline projection

- Based on actuarial valuation and participant census data as of January 1, 2024
- Reflects estimated experience for 2024
  - Net investment return of 10.4% (per Verus)
  - Contribution hours of 56.5 million hours
- Assumes future investment returns of 6.5% from 2025 through 2030, 7.0% thereafter
- Assumes 55 million hours in 2025, increasing to 60 million by 2030, flat thereafter

## Sensitivities

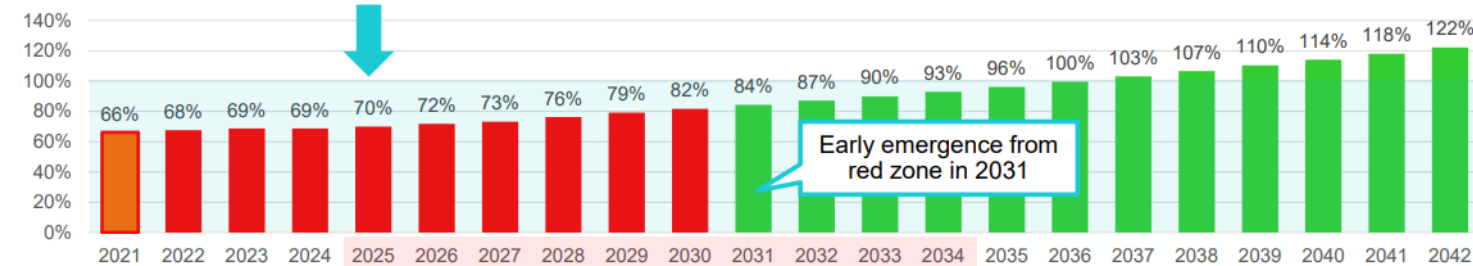
- Scenario 1: **10%** return **in 2025** and **55 million** hours in all future years
- Scenario 2: **10%** return **in 2025** and **57 million** hours in all future years
- Scenario 3: **10%** return **in 2025** and **60 million** hours in all future years
- Scenario 4: **10%** return **in 2025 and 2026** and **55 million** hours in all future years
- Scenario 5: **-5%** return **in 2025 and 2026** and **55 million** hours in all future years



# Baseline Projection for 2025

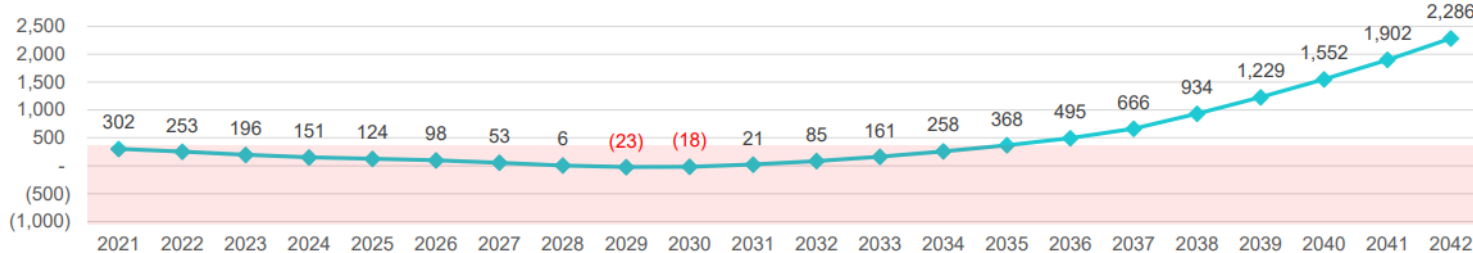
Plan Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Investment Return	11.4%	-8.8%	9.2%	10.4%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Accrual Rate (VBAR)	0.85%	1.05%	0.65%	0.65%	0.65%	0.65%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Contribution Hours (Millions)	58.5	58.0	60.4	56.5	55.0	56.0	57.0	58.0	59.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0
Average Contribution Rate (\$)	6.41	6.76	6.76	7.08	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57

## PPA Funded Percentage



## Credit Balance

End of Year, \$Millions



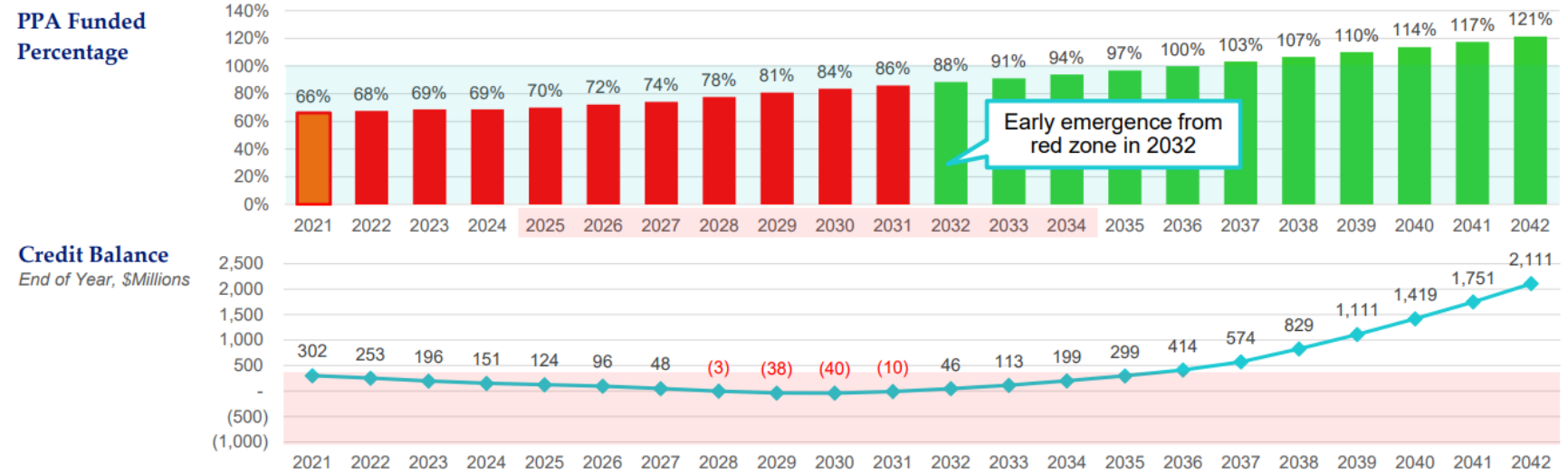
Reflecting an estimated 10.4% investment return and 56.5 million hours for 2024, the Fund is projected to emerge from the red zone early in 2031.

## Assumptions

- Based on actuarial valuation as of January 1, 2024
- Reflect progress in bargaining toward Rehabilitation Plan Schedules as of January 2024
- Estimated hours of 56.5M in 2024, 55M in 2025 increasing to 60M in 2030, flat thereafter
- Estimated return of 10.4% for 2024; future returns of 6.5% through 2030, 7.0% thereafter

# Scenario 1

Plan Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Investment Return	11.4%	-8.8%	9.2%	10.4%	10.0%	6.5%	6.5%	6.5%	6.5%	6.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Accrual Rate (VBAR)	0.85%	1.05%	0.65%	0.65%	0.65%	0.65%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Contribution Hours (Millions)	58.5	58.0	60.4	56.5	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0
Average Contribution Rate (\$)	6.41	6.76	6.76	7.08	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57



Assuming a 10% return for 2025 and future hours of 55 million per year, the Fund is projected to emerge from the red zone in 2032.

## Assumptions

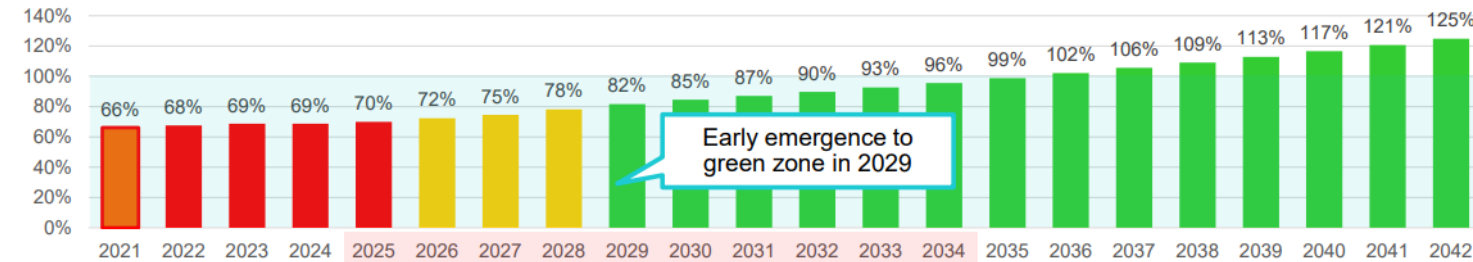
- Based on actuarial valuation as of January 1, 2024
- Reflect progress in bargaining toward Rehabilitation Plan Schedules as of January 2024
- Assume 55M hours in all future years
- Estimated return of 10.4% for 2024; 10.0% return for 2025, future returns of 6.5% through 2030, 7.0% thereafter



# Scenario 2

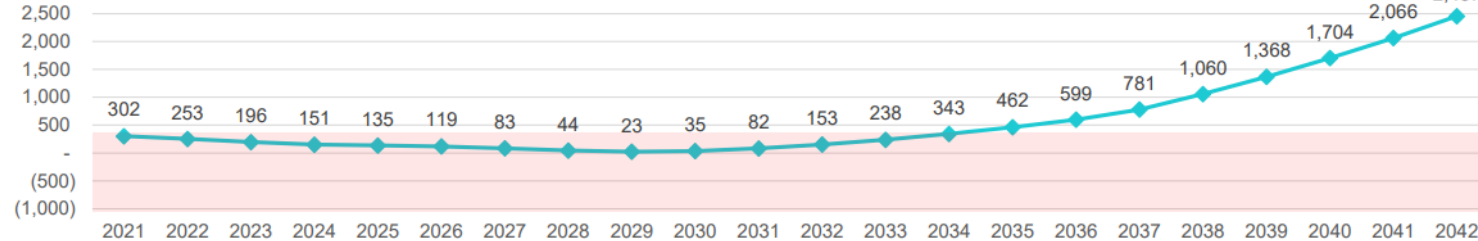
Plan Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Investment Return	11.4%	-8.8%	9.2%	10.4%	10.0%	6.5%	6.5%	6.5%	6.5%	6.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Accrual Rate (VBAR)	0.85%	1.05%	0.65%	0.65%	0.65%	0.65%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Contribution Hours (Millions)	58.5	58.0	60.4	56.5	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0
Average Contribution Rate (\$)	6.41	6.76	6.76	7.08	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57

## PPA Funded Percentage



## Credit Balance

End of Year, \$Millions



Assuming a 10% return for 2025 and future hours of 57 million per year, the Fund is projected to emerge to the green zone in 2029.

## Assumptions

- Based on actuarial valuation as of January 1, 2024
- Reflect progress in bargaining toward Rehabilitation Plan Schedules as of January 2024
- Assume 57M hours in all future years
- Estimated return of 10.4% for 2024; **10.0% return for 2025**, future returns of 6.5% through 2030, 7.0% thereafter

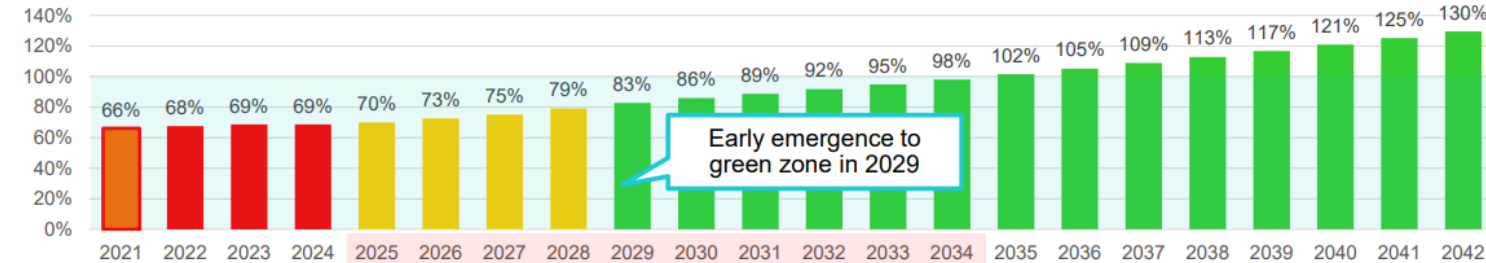
# Industry Retirement Funds



# Scenario 3

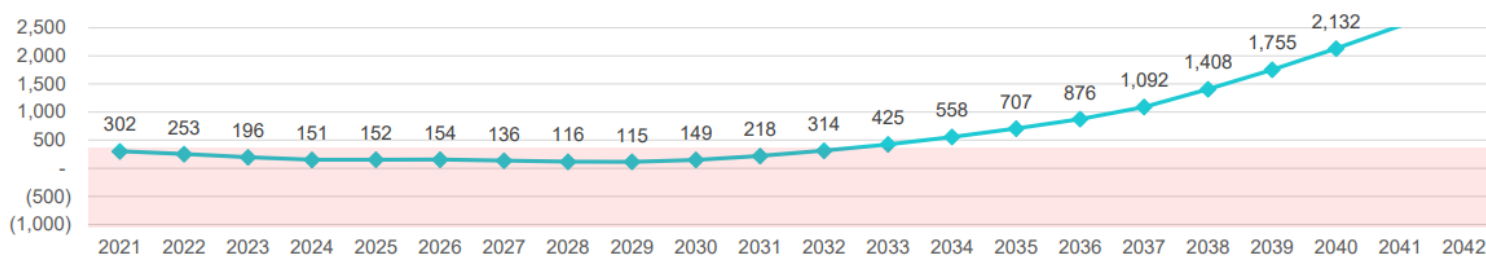
Plan Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Investment Return	11.4%	-8.8%	9.2%	10.4%	10.0%	6.5%	6.5%	6.5%	6.5%	6.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Accrual Rate (VBAR)	0.85%	1.05%	0.65%	0.65%	0.65%	0.65%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Contribution Hours (Millions)	58.5	58.0	60.4	56.5	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0
Average Contribution Rate (\$)	6.41	6.76	6.76	7.08	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57

## PPA Funded Percentage



## Credit Balance

End of Year, \$Millions



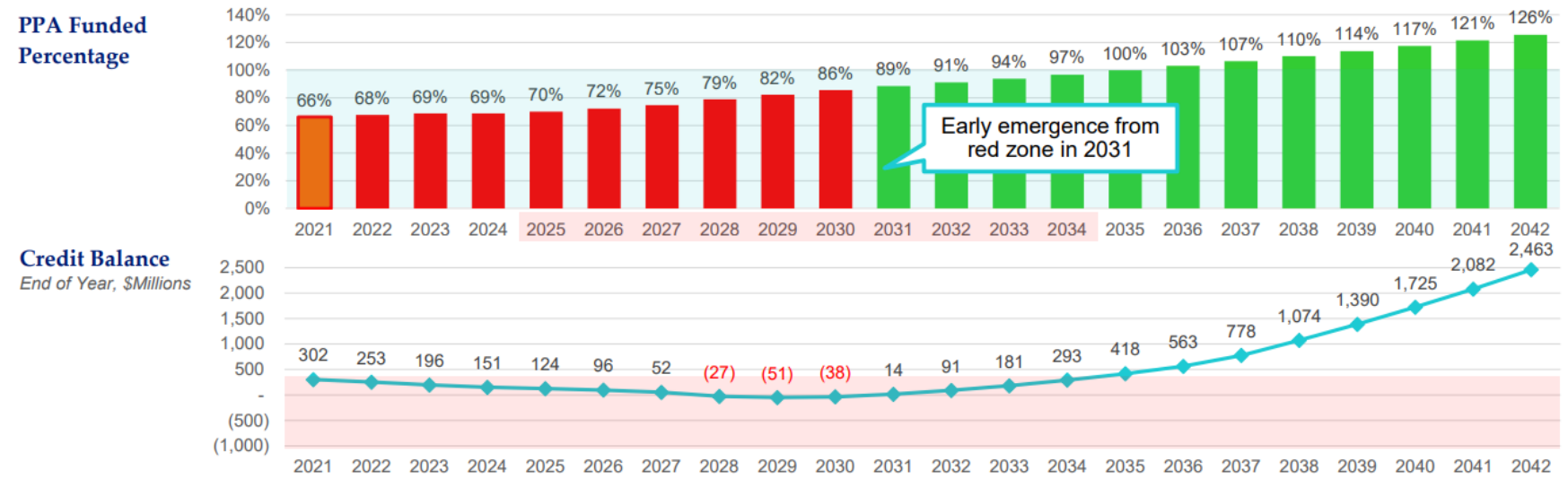
Assuming a 10% return for 2025 and future hours of 60 million per year, the Fund is projected to emerge to the green zone in 2029.

## Assumptions

- Based on actuarial valuation as of January 1, 2024
- Reflect progress in bargaining toward Rehabilitation Plan Schedules as of January 2024
- Assume 60M hours in all future years
- Estimated return of 10.4% for 2024; **10.0% return for 2025**, future returns of 6.5% through 2030, 7.0% thereafter

# Scenario 4

Plan Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Investment Return	11.4%	-8.8%	9.2%	10.4%	10.0%	10.0%	6.5%	6.5%	6.5%	6.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Accrual Rate (VBAR)	0.85%	1.05%	0.65%	0.65%	0.65%	0.65%	0.85%	1.05%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Contribution Hours (Millions)	58.5	58.0	60.4	56.5	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0
Average Contribution Rate (\$)	6.41	6.76	6.76	7.08	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57



Assuming a 10% return for 2025 and 2026 and future hours of 55 million per year, the Fund is projected to emerge from the red zone in 2031.

## Assumptions

- Based on actuarial valuation as of January 1, 2024
- Reflect progress in bargaining toward Rehabilitation Plan Schedules as of January 2024
- Assume 55M hours in all future years
- Estimated return of 10.4% for 2024; 10.0% return for 2025 and 2026, future returns of 6.5% through 2030, 7.0% thereafter

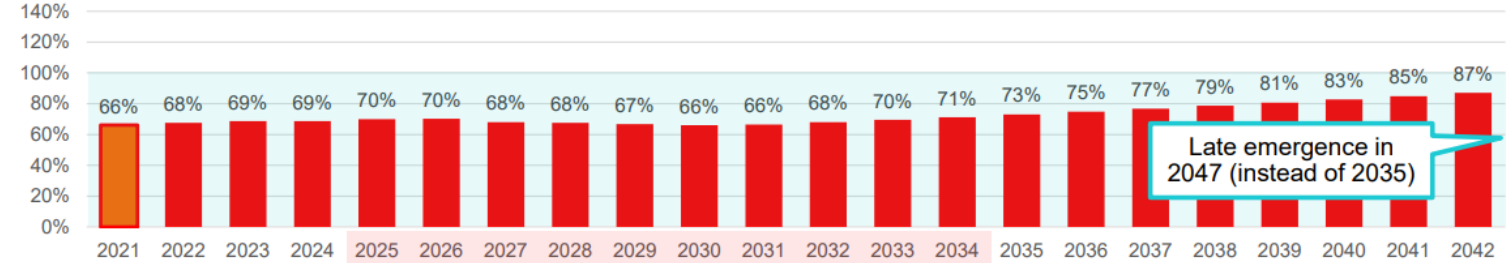




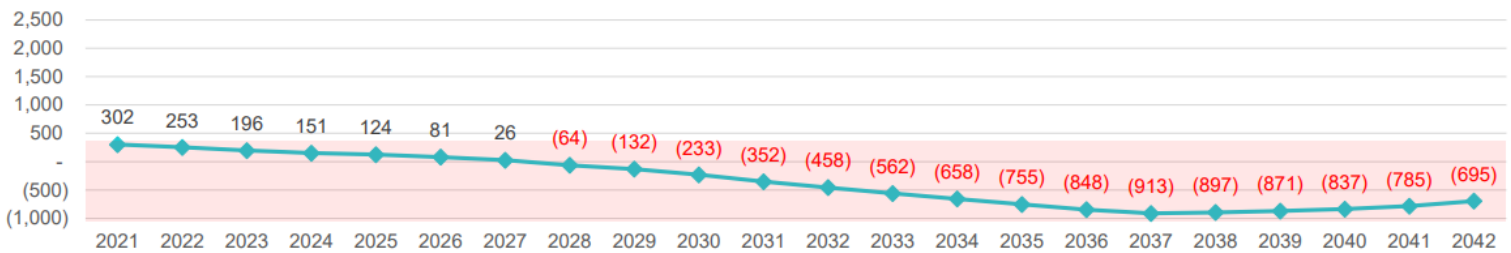
# Scenario 5

Plan Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Investment Return	11.4%	-8.8%	9.2%	10.4%	-5.0%	-5.0%	6.5%	6.5%	6.5%	6.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Accrual Rate (VBAR)	0.85%	1.05%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.45%	0.65%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Contribution Hours (Millions)	58.5	58.0	60.4	56.5	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0
Average Contribution Rate (\$)	6.41	6.76	6.76	7.08	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57	7.57

PPA Funded Percentage



Credit Balance  
End of Year, \$Millions



## Assumptions

- Based on actuarial valuation as of January 1, 2024
- Reflect progress in bargaining toward Rehabilitation Plan Schedules as of January 2024
- Assume 55M hours in all future years
- Estimated return of 10.4% for 2024; **-5.0% return for 2025 and 2026**, future returns of 6.5% through 2030, 7.0% thereafter

Assuming a -5% return for 2025 and 2026 and future hours of 55 million per year, emergence is pushed back to 2047.



# Canadian Plan Update (Highlights)

- Significant Investment Return in 2024 (+14.8%)
- Preliminary 1/1/2025 funding status ~100%
- Hours are increasing
- Fund has tripled in size in last 7/8 years
- Legislation passed will have more regulatory/statutory requirements
- Plans in place for valuation during positive funding status to safeguard for any future action.

## Going Concern Financial Position (\$000s)

<b>January 1</b>	<b>2024</b>	<b>Estimated 2025</b>
Actuarial value of assets	\$523,897	\$559,036 *
Active participants	\$241,120	\$274,950
Inactive vested participants	112,458	119,475
Pensioners and beneficiaries	175,495	162,709
Outstanding payments	<u>6,674</u>	<u>6,674</u>
Total liabilities	\$535,747	\$563,808
Going concern surplus	(\$11,850)	(\$4,772)
Funded ratio	97.79%	99.15%

Improvement in financial position due to special payments and existing contribution margin.



# Valuation Discussion & Next Steps

- Filing of plan Amendment no. 10 to pay commuted values on going concern basis
- Completion of valuation
  - filing deadline: September 30, 2025
- Preparation of TBP conversion application
- Drafting of policies (Governance, Funding & Benefits, Communication)
- Experience study and development of PfAD

# Collections Activity

Industry Retirement Funds



# Collections by the Numbers

- 2012-2022 (16 million)
  - Prior structure w/ counsel
- July 2022 – December 2023 (40 million)
  - 20 million cash
  - 20 million payment plans

# 2024 Collections

In-House Collections:	\$11,994,517.14
Outside Counsel:	\$9,442,447.17
<b>Total:</b>	<b>\$21,436,964.31</b>

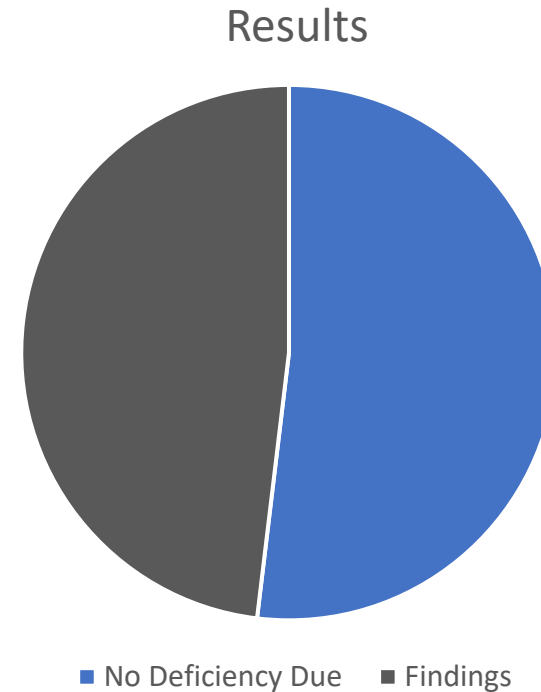
# Audit Program

Industry Retirement Funds



# 2024 Completed Audits

- ~1,100 Completed Audits
  - 572 were no deficiency audits (52%)
  - 530 audits had findings (48%)



Total Audit Amt. Collected	\$4,542,239.83
Total Cost	\$1,591,615.85
Difference	<b>\$2,950,623.98</b>
Audit Cost	\$1,591,615.85
Audit Cost Collected	<b>(\$206,969.65)</b>
Remaining Cost	<b>\$1,384,646.20</b>

Industry Retirement Funds



# Results

2024	
Total Receivable	\$19,245,119.60
Total Collected	\$4,542,239.83
Difference	\$14,702,879.77



# Next Steps

- BoT to evaluate ROI
- Finish 3 yr cycle
- Contemplate in house program
- Communication increase w/ different District Council Programs
  - Pilot Programs
  - ASA's
  - Committees

# Asset Allocation/Investment Objectives

Industry Retirement Funds



# Asset Allocation

- 33% Public Equities
- 24% Fixed Income
- 10% Private Equity
- 10% Private Debt
- 8% Real Estate
- 8% Infrastructure
- 5% Opportunistic Credit
- 2% Cash



# Objectives

1. Reduce fees
2. Simplify portfolio
3. Outsource Private Market for best leverage
4. Index where appropriate
5. Active/Engaged board to manage expectations
6. Monitor Professionals and Asset Managers

# Fund Office Priorities

Industry Retirement Funds



- Use data to drive decisions
  - Internal w/ departments (KPI's)
  - Board of Trustees (Use KPI'S for transparency)
  - DC'S/TPA's (Interactive real time KPI's and projections)
- Pension Enterprise System Conversion
- Cyber Compliance
  - 3<sup>RD</sup> Parties
  - Professionals
  - DC's and Contractors
- Service Oriented
  - Call Center
  - Member Experience
  - Contractor Experience
- Keep Collections Activity Up
- Evaluate Audit Program
- Launch Compliance Department

# Industry Retirement Funds



# Federal Advocacy

- NCCMP
- Pension Associations and Working Groups
- IFEBP (All of our professionals are active)
- Network of National Funds/Funds Administrators
- Opportunities from this Forum (We all work in this community)

# Questions ?