



Annual Funding Notice



PIPEFITTERS LOCAL 636
FRINGE BENEFIT FUNDS

P.O. BOX 278
TROY, MICHIGAN 48099-0278
(248) 641-4936 (888) 646-8920



To keep you informed as to the status of the Pipefitters Local 636 Defined Benefit Pension Fund (the “Fund”), and as required by law, we are enclosing the Annual Funding Notice, which provides information about the plan year beginning January 1, 2023.

We are also pleased to report that the funded percentage of the plan has steadily increased for each of the past six calendar years, with this year’s funded percentage increasing from 84.6% as of January 1, 2023, to 89.3% as of January 1, 2024. As a result, the plan was certified as being in neither critical nor endangered status (i.e., it is in the “green zone”) for the plan year beginning January 1, 2024. As a result, it is not necessary to provide a Notice of Status under the Pension Protection Act. Note that the plan was also certified in the “green zone” for the plan years beginning January 1, 2022 and January 1, 2023.

Since the adoption of the cash balance plan in June 2016, the legacy portion of the Fund has become more secure and is now in a better position to provide all of the promised legacy retirement benefits. In fact, according to the Plan Actuary, from January 1, 2016, through January 1, 2024, through a combination of benefit payouts, contributions, and an increase in plan assets, the funded percentage for the Fund as a whole has increased from 66.1% (seriously endangered or “orange zone”) to the current 89.3% (neither critical nor endangered or “green zone”).

Trustees continue to carefully monitor the plan. If you have any questions, as always, feel free to contact the Fund Office.



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ANNUAL FUNDING NOTICE

Pipefitters Local 636 Defined Benefit Pension Fund

Introduction

This notice includes important information about the funding status of your multiemployer pension plan (“the Plan”). It also includes 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”), like the Pipefitters Local 636 Defined Benefit Pension Plan, must provide this notice every year regardless of their funding status. It is provided for informational purposes and you are not required to respond in any way. This notice is required by federal law. This notice is for the plan year beginning January 1, 2023, and ending December 31, 2023 (“Plan Year”).

How Well Funded Is Your Plan

The law requires the administrator of the Plan to tell you how well the Plan is funded, using a measure called the “funded percentage.” The Plan divides its assets by its liabilities on the Valuation Date for the plan year to get this percentage. In general, the higher the percentage, the better funded the plan. The Plan’s funded percentage for the Plan Year and each of the two preceding plan years is shown in the chart below. The chart also states the value of the Plan’s assets and liabilities for the same period.

Funded Percentage			
	2023 Plan Year	2022 Plan Year	2021 Plan Year
Valuation Date	01/01/2023	01/01/2022	01/01/2021
Funded Percentage	84.6%	79.8%	76.6%
Value of Assets	\$447,774,917	\$424,110,198	\$383,554,295
Value of Liabilities	\$529,087,842	\$530,857,088	\$500,514,392

Year-End Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date, which as indicated is January 1st of each year. These asset values are “valuation asset values.” Valuation asset values differ from market values in that they do not fluctuate daily based on changes in the stock or other markets. Valuation asset values smooth out those fluctuations and can allow for more predictable levels of future contributions. Despite the fluctuations, market values in general tend to show a clearer picture of a plan’s funded status at a given point in time. The asset values in the following chart show the market value of plan assets as of the **last day of the Plan Year** (as opposed to the first day of the Plan Year for the valuation asset values shown in the chart above). For example, for Plan Year 2023, the following chart shows the fair market value of assets as of December 31, 2023, and for Plan Year 2023 the chart above shows the valuation asset value of assets as of January 1, 2023. The following chart also includes the year-end market value of the Plan’s assets for each of the two preceding plan years.

	As of December 31, 2023	As of December 31, 2022	As of December 31, 2021
Fair Market Value of Assets	\$463,204,853 (unaudited)	\$422,112,383 (audited)	\$460,607,422 (audited)

Endangered, Critical, or Critical and Declining Status

Under federal pension law, a plan generally is in “Endangered” status if its funded percentage is less than 80 percent. A plan is in “Critical” status if the funded percentage is less than 65 percent (other factors may also apply). A plan is in “Critical and Declining” status if it is in critical status and is projected to run out of the money needed to pay benefits within 15 years, or within 20 years if a special rule applies.

If a pension plan enters Endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a plan enters Critical status or Critical and Declining status, the trustees of the plan are required to adopt a rehabilitation plan. Funding improvement and rehabilitation plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time. The plan sponsor of a plan in critical and declining status may apply for approval to amend the plan to reduce current and future payment obligations to participants and beneficiaries.

The Plan was certified as not being in Endangered, Critical, or Critical and Declining status in the 2023 Plan Year.

If the Plan is certified as being in endangered, critical, or critical and declining status for the 2024 (1/1/2024-12/31/2024) Plan Year, separate notification of that status will be provided to you.

Participant Information

The total number of participants in the plan as of the Plan’s valuation date was 3,207. Of this number, 1,381 were active participants, 1,495 were retired or separated from service and receiving benefits, and 331 were retired or separated from service and entitled to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The primary source of Plan funding for the benefits provided under the Plan and for the expenses of the Plan operations are employer contributions. The rate of contribution is set forth in the Collective Bargaining Agreement, or other written agreement requiring contributions to the Fund. Additionally, plan assets are invested which results in investment income to the Plan.

Pension plans also have investment policies. These generally are written guidelines or general instructions for making investment management decisions. The investment policy of the Plan is to achieve the following long-term investment objectives, consistent with the requirements of prudent asset class diversification: (A) earn a sufficient rate of return over the long-term to continue meeting the minimum funding requirements of ERISA; (B) maintain sufficient liquidity to facilitate full and timely payment of benefits and expenses; (C) earn a long-term rate of return that meets or exceeds the Plan’s assumed actuarial rate while attempting to control the volatility of returns; and (D) earn a long-term rate of return that equals or exceeds the Plan’s Policy Index. The investment of the Plan assets shall be in accord with all provisions of the Employee Retirement Income Security Act of 1974. In accordance with the Plan’s investment policy, the Plan’s assets were allocated among the following categories of investments, as of the end of the Plan Year.

Under the Plan’s investment policy, the Plan’s assets were allocated among the following categories of investments, as of the end of the 2023 Plan Year. These allocations are percentages of total assets:

Asset Allocation	Percentage
Stock	38.3%
Investment Grade Debt Instruments	22.1%
High-Yield Debt Instruments	7.8%
Real Estate	10.1%
Other	21.7%
Total	100%

For information about the Plan's investment in any of the following types of investments— common/collective trusts, pooled separate accounts, or 103-12 investment entities – contact the Plan administrative office at 700 Tower Dr., Suite 300, Troy, MI 48098, (248) 813-9800.

Right to Request a Copy of the Annual Report

Pension plans must file annual reports with the US Department of Labor. The report is called the "Form 5500." These reports contain financial and other information. You may obtain an electronic copy of your Plan's annual report by going to www.efast.dol.gov and using the search tool. Annual reports also 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. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator. Annual reports do not contain personal information, such as the amount of your accrued benefit. You may contact your plan administrator if you want information about your accrued benefits. Your plan administrator is identified below under "Where To Get More Information."

Summary of Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans that become insolvent, either as ongoing plans or plans terminated by mass withdrawal. The plan administrator is required by law to include a summary of these rules in the annual funding notice. 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.

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. There are separate insurance programs with different benefit guarantees and other provisions for single-employer plans and multiemployer plans. Your Plan is covered by PBGC's multiemployer program. 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 \$600, 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 ($\$600/10$), which equals \$60. The guaranteed amount for a \$60 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 ($\35.75×10).

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 ($\17.75×10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In addition, the PBGC guarantees qualified preretirement survivor benefits (which are preretirement death benefits payable to the surviving spouse of a participant who dies before starting to receive benefit payments). 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 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.

For additional information about the PBGC and the pension insurance program guarantees, go to the Multiemployer Page on PBGC's website at www.pbgc.gov/multiemployer. Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See "Where to Get More Information About Your Plan," below.

Where to Get More Information About Your Plan

For more information about this notice, you may contact the plan administrator at the following address: Pipefitters Local 636 Defined Benefit Fund, 700 Tower Drive, Suite 300, Troy, Michigan 48098, telephone number (248) 813-9800. For identification purposes, the official plan number is 001 and the plan sponsor's employer identification number or "EIN" is 38-3009873. For more information about the PBGC and benefit guarantees, go to PBGC's website, www.pbgc.gov.

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Important Fund Information