

**WESTERN STATES OFFICE AND PROFESSIONAL EMPLOYEES
PENSION FUND**

REHABILITATION PLAN CONTRIBUTION POLICY

Effective: December 1, 2011

Policy Statement:

This Rehabilitation Plan Contribution Policy (“Policy”) is adopted by the Board of Trustees of Trustees (“Board”) of the Western States Office and Professional Employees Pension Fund (“Plan”) in order to establish uniform administrative rules for: (a) Supplemental Employer Contributions; (b) determining when Default Supplemental Employer Contribution Schedule is applied; and (c) the appropriate interest rate for retroactive adoptions of the Rehabilitation Plan.

The following definitions apply for purposes of this Policy:

“*Default Schedule*” means the applicable Default Supplemental Employer Contribution Schedule under the Rehabilitation Plan.

“*Default Supplemental Contributions*” means employer contributions due after the Default Schedule applies.

“*Regular Employer Contributions*” means employer contributions required under the applicable collective bargaining agreement.

“*Rehabilitation Plan*” means the Rehabilitation Plan adopted by the Board, as amended.

“*Supplemental Employer Contributions*” means employer contributions due after the bargaining parties adopt the Rehabilitation Plan. Supplemental Employer Contributions are determined under the applicable Supplemental Employer Contribution Schedule under the Rehabilitation Plan.

A. Benefit Accrual Rates under the Rehabilitation Plan. The Plan’s benefit accrual rate is .75% of regular employer contributions. Participants accrue benefits on regular employer contributions, but do not accrue benefits on Supplemental Employer Contributions or Default Supplemental Contributions. However, as required by the Pension Protection Act, the benefit accrual rate on regular employer contributions increases to 1% if the Default Schedule applies.

B. Default Schedule Imposed. The Default Schedule is imposed the first day of the month on or after the 180th day after a CBA expires.

Example: Assume the Default Schedule is imposed on September 30, 2011. Default Supplemental Employer Contributions start with October 1, 2011, work hours.

Note: This rule supersedes and replaces a statement made in the Plan’s Rehabilitation Plan Notice of November 25, 2009, which states:

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Example of the 180 day rule:

<u>Date</u>	<u>Action</u>
Nov. 30, 2009	CBA expires
May 28, 2010	The 179 th day after the CBA expired. The bargaining parties have until this date to adopt a new CBA incorporating the Supplemental Employer Contribution Schedule retroactive to December 1, 2009.

[The following Example is now superseded]

May 29, 2010	The default schedule <u>automatically applies</u> on this date, retroactive to December 1, 2009, if the bargaining parties have not adopted a new CBA incorporating the Supplemental Employer Contribution Schedule.
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- C. **Rehabilitation Plan Adopted After Default Schedule Imposed.** The bargaining parties may adopt the Rehabilitation Plan after the Default Schedule is imposed. In that case: (a) the Rehabilitation Plan must be adopted prospectively; and (b) Supplemental Employer Contributions begin the first day of next month on or after the Rehabilitation Plan is adopted.

Example: Assume the Default Schedule is imposed on September 30, 2011, and the bargaining parties adopt the Rehabilitation Plan on October 3, 2011. The employer pays Default Supplemental Contributions for October, 2011, and starts paying Supplemental Employer Contributions with November, 2011, work hours.

- D. **Rehabilitation Plan Adopted Before Default Schedule Imposed.** The bargaining parties may adopt the Supplemental Employer Contribution Schedule under the Rehabilitation Plan after the CBA expires, but before the Default Schedule is imposed, subject to the following rules:

1. The bargaining parties may adopt the Rehabilitation Plan retroactively to the CBA expiration date in order to avoid imposition of the Default Schedule.


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2. The retroactive Supplemental Employer Contributions due under the Supplemental Employer Contribution Schedule are offset by the surcharge the employer paid for the retroactive time period.
 3. Interest is due on the retroactive Supplemental Employer Contributions as provided in this Policy [but the retroactive Supplemental Employer Contributions are not treated as delinquent contributions under the Delinquent Reporting and Late Contribution Policy].
- E. Rehabilitation Plan Adopted Prior to Expiration of the CBA.** The bargaining parties may adopt the Supplemental Employer Contribution Schedule under the Rehabilitation Plan effective as of a date before the CBA expiration date. In that case, Supplemental Employer Contributions must begin no later than the CBA expiration date. This means that there cannot be a time period between the date on which the 10% surcharge applies and the date on which Supplemental Employer Contributions start.
- F. Interest Rate on Retroactive Supplemental Contributions.** Retroactive Supplemental Employer Contributions are subject to simple interest at the annual rate of 7.25%. This rule is effective January 1, 2012.
- G. Authority to Modify Policy.** The Board may modify this Policy at any time. As used in the preceding sentence the term “modify” includes but is not limited to: interpretation, modification, extension, correction, amendment, suspension or termination.

Signed on behalf of the Board of Trustees:



Judith Zenk, Co-Chair
Date signed: 3-7-12



Michael Parmelee, Co-Chair
Date signed: 3-12-12

Notes:

1. This policy was originally adopted at the Board of Trustee meeting on December 1, 2011.