



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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Release Date: 8/24/07

UIL: 501.18-00
Date: May 31, 2007

Contact Person:

ID Number:

Telephone Number:

Legend:

Fund =
W =
X =
Y =
Z =

Employer Identification Number:

Dear Sir or Madam:

This is in reference to the Fund's letter dated February 12, 2007 requesting a ruling that the adoption of certain proposed amendments to the Fund's Trust Indenture will not adversely affect the Fund's status as a tax exempt trust under section 501(c)(18) of the Internal Revenue Code ("Code").

Facts:

Fund is a defined benefit pension plan established over fifty years ago by five local unions of W. By 1959, a total of twenty-nine local unions of W had elected to approve,

ratify and adopt the Fund on behalf of their members and become participating locals in the Fund (each a "Participating Local"). W later merged at different times with other related unions ultimately resulting in a merger which became X. As a result of the foregoing mergers, certain local unions became Participating Locals.

In 1989 and 1995, the Fund again entered into merger agreements under which assets and accrued liabilities were transferred to the Fund. The Fund received rulings from the Service that these mergers did not adversely affect the Fund's status as a tax-exempt trust under section 501(c)(18) of the Code.

Recently, X merged into Y and became Z.

Fund has been recognized as exempt under section 501(c)(18) of the Code. The sole purpose of the Fund is to provide retirement benefits to members of the Participating Locals who elect to participate in the Fund ("Participants") and survivor benefits to the beneficiaries of deceased Participants. The Fund Trust Indenture has been amended several times since the original ruling.

The Fund is administered by a Board of Trustees. Each Participating Local with a minimum number of members who are Participants is represented by up to two Trustees on the Board, as determined under a formula set forth in the Trust Indenture.

The Fund is financed solely through participant contributions and investment earnings thereon. The minimum and maximum weekly Participant contribution rates are \$5.00 and 10% of gross wages, respectively. The members of a Participating Local must vote to establish a contribution rate above the minimum rate, subject to the approval of the Trustees.

There are 64 Participating Locals in the Fund. Local unions formerly affiliated with X, and now affiliated with Z, are the only local unions eligible to become Participating Locals. A Z Participating Local may elect to participate with respect to one or more of the graphic arts industry segment(s) in which its members are employed, such as lithographers, photoengravers and bindery workers. Therefore, participation in the Fund is currently limited to members and employees of Z Participating Organizations, all which were formerly affiliated with X and are currently affiliated with Z. A local union affiliated with Y, but not Z, is currently prohibited from becoming a Participating Local. In 2006, the Trustees approved proposed amendments to the Trust Indenture generally allowing Y Locals to participate in the Fund subject to the approval of the amendments by current Participating Locals.

The Trustees represent that they approved the proposed amendments to allow Y Locals to participate in the Fund to improve its long term financial viability. Since 2000, the number of active Participants has significantly decreased.

The proposed amendments to the Trust Indenture to allow Y Locals to participate in the Fund are:

1. An amendment to Sections (a), (b) and (f) of Article I that would change the definition of the following terms:
 - (a) The term "International Union" would be changed to mean Y.
 - (b) The term "Local" would be changed to include any subordinate body of Y or Z; and
 - (c) The term "Graphic Arts Industry" would be replaced by the term "Industry" and such term would mean:

All occupations relating directly or indirectly to the industry or industries with respect to which a Local Union has become a Participating Local as determined and approved by the Trustees. For Participating Locals affiliated with Z, 'the industry' means the 'Graphic Arts Industry' which includes all occupations relating directly or indirectly to graphic arts production or to the maintenance or servicing thereof, or to the sale of materials or services used therein, as determined and approved by the Board of Trustees.
2. Amendments to Sections 1(a) and (d) of Article VIII and Section 1(i) of Article IX, and the addition of new Section 1(j) to Article IX, that would provide that (i) all Y Locals that become Y Participating Locals would collectively be represented by a maximum of two Trustees on the Board; (ii) such Trustees would not be eligible to serve as Chairman or Vice Chairman of the Board; and (iii) the provisions regarding Trustee representation of Y Participating Locals could be amended only by a vote of the members of [certain] Participating Locals representing two-thirds of the Participants in the Fund.

The Fund represents that except for the proposed amendments described above relating to the governance of Y Participating Locals, all the Trust Indenture provisions (such as provisions relating to contributions and benefits) that apply to members and employees of certain Participating organizations would also apply on the same basis to members and employees of Y organizations.

The above amendments were approved by the Trustees. Approval of certain Participating Locals representing two-thirds of the Participants in the Fund is required

for the proposed amendments to become effective. The Trustees have deferred submitting the proposed amendments to the certain Participating Locals for approval pending receipt of a ruling from the Service that the proposed amendments will not adversely affect the status of the Fund as a section 501(c)(18) of the Code trust.

Ruling Requested:

The Fund requests that pursuant to the merger of X into Y, the adoption of the proposed amendments to the Trust Indenture that would permit Y organizations to participate in the Fund will not adversely affect the status of the Fund as a section 501(c)(18) of the Code trust.

Law:

Section 501(a) of the Code provides that an organization described in subsection (c) shall be exempt from taxation under this subtitle et seq.

Section 501(c)(18) of the Code provides that a trust or trusts created before June 25, 1959, forming part of a plan providing for the payment of benefits under a pension plan funded only by contributions of employees, if—

(A) under the plan, it is impossible, at any time prior to the satisfaction of all liabilities with respect to employees under the plan, for any part of the corpus or income to be (within the taxable year or thereafter) used for, or diverted to, any purpose other than the providing of benefits under the plan,

(B) such benefits are payable to employees under a classification which is set forth in the plan and which is found by the Secretary not to be discriminatory in favor of employees who are highly compensated employees (within the meaning of section 414(q)),

(C) such benefits do not discriminate in favor of employees who are highly compensated employees (within the meaning of section 414(q)). A plan shall not be considered discriminatory within the meaning of this subparagraph merely because the benefits received under the plan bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan, and

(D) in the case of a plan under which an employee may designate certain contributions as deductible--(i) such contributions do not exceed the amount with respect to which a deduction is allowable under section 219(b)(3), (ii) requirements similar to the requirements of section 401(k)(3)(A)(ii) are met with respect to such elective contributions, (iii) such contributions are treated as elective deferrals for purposes of section 402(g), and (iv) the requirements of section 401(a)(30) are met.

For purposes of subparagraph (D)(ii), rules similar to the rules of section 401(k)(8) shall apply. For purposes of section 4979, any excess contribution under clause (ii) shall be treated as an excess contribution under a cash or deferred arrangement.

Section 1.501(c)(18)-1(b)(3)(i) of the regulations provides that a trust created before June 25, 1959 is described in section 501(c)(18) of the Code and this section even though changes in the makeup of the trust have occurred since that time so long as these are not fundamental changes in the character of the trust or in the character of the beneficiaries of the trust. Increases in the beneficiaries of the trust by the addition of employees in the same or related industries, whether such additions are of individuals or units (such as local units of a union) will generally not be considered a fundamental change of the character of the trust.

Section 1.501(c)(18)-1(b)(3)(ii) Example (1) of the regulations provides that assume that trust C, for the benefit of members of participating locals of National Union X, was established in 1950 and adopted by 29 locals before June 25, 1959. The subsequent adoption of trust by C by additional locals of National Union X in 1962 will not constitute a fundamental change in the character of trust C, since such subsequent adoption is by employees in a related industry.

Analysis:

The merger of W and its successors with other international unions, and the resulting admission of members of each of the other international unions into the Fund, has not fundamentally changed the character of the Fund or its beneficiaries, as evidenced by our prior favorable rulings with respect of the status of Fund as a section 501(c)(18) of the Code trust. Similarly the proposed participation of Y organizations in the Fund resulting from the merger of X and the Fund represents that the Y would not fundamentally change the character of the Fund. The same eligibility requirements, contribution requirements, benefit formulas and distribution options would apply to members and employees of Y as apply to members and employees of the Z Participating Organizations. Additionally, the administration and governance of the Fund would remain under control of Z and Z Participating Organizations, all of which are in the graphic arts industry and continue to be subject to the X Constitution.

Additionally, the Fund represents that the character of the beneficiaries of the Fund would not fundamentally change if Y organizations were allowed to participate in the Fund. Since the Fund was established in 1950, participation therein has been limited to members and employees of the Z Participating Organizations, all of which organizations were affiliated with the same international union, X (or its predecessors). Fund has represented that this participation requirement would remain unchanged if Fund allows Y organizations, which are now part of the same international union as the

Z Participating Organizations, to participate in the Fund. Thus, the trade union character of the Fund and its beneficiaries would remain unchanged.

The proposed amendments allowing Y would not violate the requirements of Section 501(c)(18) of the Code because the participation of Y would not fundamentally change the character of the Fund or its beneficiaries. Additionally approval of certain Participating Locals representing two-thirds of the Participants in the Fund is required for the proposed amendments to become effective.

Accordingly, we rule that, pursuant to the merger of X into Y the adoption of the proposed amendments to the Trust Indenture that would permit Y organizations to participate in the Fund will not adversely affect the status of the Fund as a section 501(c)(18) of the Code trust.

This ruling will be made available for public inspection under section 6110 of the Code after certain deletions of identifying information are made. For details, see enclosed Notice 437, Notice of Intention to Disclose. A copy of this ruling with deletions that we intend to make available for public inspection is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

This ruling is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

This ruling is based on the facts as they were presented and on the understanding that there will be no material changes in these facts. This ruling does not address the applicability of any section of the Code or regulations to the facts submitted other than with respect to the sections described. Because it could help resolve questions concerning your federal income tax status, this ruling should be kept in your permanent records.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

In accordance with the Power of Attorney currently on file with the Internal Revenue Service, we are sending a copy of this letter to your authorized representative.

Sincerely,

Robert C. Harper, Jr.
Manager, Exempt Organizations
Technical Group 3