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Southeast Tripartite Conference

April 10 - 12, 2017

PENSION PLAN CHANGES

Why did the Trustees make changes?

Man Hours:

- In 2016 Pension Hours were the lowest they have been since 1985.

Market Return:

- Although the Plan met the assumed rate of return in 2016, the market value of Plan assets in 2015 was **-1.14%.**

Contribution Rate:

- The average contribution rate decreased from **$11.16** in 2015 to **$10.93** in 2016 – this is not because the Minimum Contribution Rate decreased but rather the man hours are down in the areas with the higher contribution rates.

Timing is Everything:

- 2017 is the first time under the Regulations the Trustees could elect to move into the Red Zone. The sooner changes are made the greater the positive impact to the Pension Plan.

Why did the Trustees choose to move into the Red Zone?

Not enough tools in the toolbox under the Yellow Zone:

- The Plan changes available in the Yellow Zone are "prospective" only.
- Without a very large increase in the Minimum Contribution Rate (i.e. approximately 28% or more), prospective changes would not make a large enough impact to certify the Pension Trust was on target with our current Funding Improvement Plan to be 81.2% funded by 2023.

Adoption of a Rehabilitation Plan

- Required by the Pension Protection Act (PPA) for Plans in "Red Zone" status
- Must be adopted by bargaining parties to avoid surcharges mandated under PPA
- The purpose is to provide a plan to enable the Pension Trust to cease to be in the Red Zone by the end of the Rehabilitation Period, which begins January 1, 2020 and ends December 31, 2029. However, based on actuarial projections the Trustees anticipate certifying the Plan to be in the "Yellow Zone" in 2018.

Do The Pension Changes Impact Our Employers?

These changes do not impact our Employers as long as a signed Memorandum Of Understanding (MOU) adopting the Rehabilitation Plan Default Schedule is signed by both the Union and the Employer and returned to the Fund Office by **May 28, 2017**.

Memorandum of Understanding (MOU)

MOU's were emailed and mailed to all Locals and Employers on Friday, April 7th. In addition, an MOU was sent to the Employer and Union Representatives for the National, Local and Area Construction Agreements.

If an executed MOU is not received in the Fund Office by the May 28, 2017 deadline, the following Surcharges, as required under the Pension Protection Act (PPA), will apply:

- 5% of the contributions for hours worked from May 29, 2017 through December 31, 2017.
- 10% of the contributions for hours worked on and after January 1, 2018 until adopted.

This Surcharge cannot be waived and non-payment by an Employer must be treated as a violation of federal law and subject to liquidated damages and interest charges.

The Fund Office will work with the Union and each Employer as needed to assist them in completing the MOU's timely.

Pension Plan Changes Effective On and After May 1, 2017:

The Level Income Option is no longer an optional benefit for Pensions effective on or after May 1, 2017 as it is not allowed in the "Red Zone".

- This change applies to all Participants INCLUDING Grandfathered Actives.

All other Plan changes are effective October 1, 2017

Pension Plan Changes - New Definition Added Effective On and After October 1, 2017:

A Grandfathered Active is a Participant who has:

1) Worked at least 3,000 Hours of Work in Covered Employment during the 36 month period ending on September 30, 2017; **and**
2) On or before September 30, 2017 has either:
   - Attained age 55 and earned at least 35 Pension Credits, or
   - Attained age 58 and earned at least 30 Pension Credits

Why Grandfathering?

- It was not to protect certain individuals.
- It was to avoid a "run for the door".
  - Approximately 1300 Individuals meet the eligibility requirements of a "Grandfathered Active".
- If these individuals retired in 2017 before the changes, it would be extremely detrimental to the Pension Plan and could require even further changes; therefore, the Trustees had to find a way to encourage these individuals to remain **active Boilermakers.**

Pension Plan Changes Effective On and After October 1, 2017; Except for Grandfathered Actives:

- The Normal Form of payment for the entire accrued benefit is the Single Life Annuity.
- Past Service Credit will not be taken into account for purposes of determining eligibility for an Early Retirement Pension.
- Eligibility for a Basic Pension has changed from age 65 to the attainment of Normal Retirement Age (later of age 65 or the 5th anniversary of Participation).

Pension Plan Changes Effective On and After October 1, 2017; Except for Grandfathered Actives …. continued:

- Non-Reduced Early Retirement Pension – Must retire from active status after attaining age 62 with at least 35 Future Service Credits (42,000 Hours Worked in Covered Employment).
  - *Active status* - means having at least 1,500 Hours of Work in Covered Employment during the 36-month period ending on the effective date of the pension.

Pension Plan Changes Effective On and After October 1, 2017; Except for Grandfathered Actives …. continued:

Partially Reduced Early Retirement Pension – Must retire from active status after attaining age 60 with at least 50 years of Future Service Credit (60,000 Hours Worked in Covered Employment).

- The Early Retirement Pension will be equal to the Participant's Age Pension reduced by ½ of 1% for each month (6% per year) the Participant is younger than age 62.
- *Active status* - means having at least 1,500 Hours of Work in Covered Employment during the 36-month period ending on the effective date of the pension.

Pension Plan Changes Effective On and After October 1, 2017; Except for Grandfathered Actives …. continued:

Reduced Early Retirement Pension

- For Participants that do not meet the eligibility requirements for a non-reduced Early Retirement Pension or partially reduced Early Retirement Pension.
- The amount of the Participant's Early Retirement Pension will be equal to the Participant's Age Pension reduced by ½ of 1% for each month (6% per year) by which the Participant is younger than age 65.

Pension Plan Changes Effective On and After October 1, 2017; Except for Grandfathered Actives .... continued:

Disability Pensions:

- For Participants who meet the service requirements for an Early Retirement Pension, the monthly benefit will be calculated as an Early Retirement Pension.
- For Participants who have not met the service requirements for an Early Retirement Pension, the Disability Benefit will be calculated as if the Participant were age 55, rather than age 65.

Auxiliary Disability Benefit: Disability Benefits will be paid beginning on the Annuity Starting Date only; no Auxiliary Disability Benefit will be payable.

Conditional Disability Pension - The Conditional Disability Pension will not be available as it is no longer applicable due to the changes outlined above.

Pension Plan Changes Effective On and After October 1, 2017; Except for Grandfathered Actives …. continued:

Optional Forms of Benefit - The optional forms of benefit shown below will be reduced to the **Actuarial Equivalent** of the amount otherwise payable in the Normal Form (Single Life Annuity) for a Participant's entire accrued benefit.

- Single Life Annuity with 60 Months Certain
- Single Life Annuity with 120 Months Certain
- 50% Husband and Wife Option
- 75% Husband and Wife Option
- 100% Husband and Wife Option

Example: No more non-reduced 50% Husband and Wife option at age 58 on the contributions accrued prior to October 1, 2012.

Pension Plan Changes Effective On and After October 1, 2017; Except for Grandfathered Actives …. continued:

Alternative Vested Pension:

- Will not be available for a Participant who incurs a Permanent Break in Service on or after October 1, 2017.
- If an Alternate Vested Pension is accrued prior to October 1, 2017, it cannot be payable prior to age 65.
- If a Participant who has accrued an Alternative Vested Pension returns to Covered Employment, the Pension Credit earned after the return to Covered Employment will not be combined with Pension Credit earned before the return to Covered Employment for purposes of meeting the eligibility requirements for a pension payable prior to age 65.

Pension Plan Changes Effective On and After October 1, 2017; <u>Including</u> Grandfathered Actives (All non-retired Participants are affected):

Changes to Death Benefits:

- <u>Pre-Retirement Lump Sum Death Benefit</u> (maximum of $15,000) will not be payable for deaths that occur on or after October 1, 2017.

- <u>Pre-Retirement 60-Month Guarantee Death Benefit</u> will be payable ONLY to the Participant's surviving spouse or children for deaths that occur on or after October 1, 2017.

- <u>$6,000 Post-Retirement Lump Sum Death Benefit</u> will not be payable for Pensions that become effective on or after October 1, 2017.

Why No Changes To Retirees?

Under the current federal regulations the Trustees have NO option to reduce Retiree benefits.

- Cuts to Retirees are only available to Plans in "Critical and Declining" status:
  - Plan must file an application to cut Retiree benefits which must be approved by the Treasury Department, in consultation with the Department of Labor and the Pension Benefit Guaranty Corporation (PBGC)
  - Many steps must be taken and other criteria met to be allowed to cut Retiree benefits

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Tools available on the BNF website beginning May 1, 2017:

- Notice to Participants and Employers
- Frequently Asked Questions
- Video – will be sent to all Locals on a DVD as well
- Early Retirement Charts
- Examples of Pension Calculations
- Rehabilitation Plan
- Annual Funding Notice
- Notice of Plan Status

Health and Welfare & Annuity

Health and Welfare:

- There have been **no** rate increases for the last 7 years (since 2010).
- **Dental** - Effective January 1, 2017 Dental benefits increased from $1,000 to $1,500 annually for adults and pediatric.
- **Vision** – Effective January 1, 2017 pediatric vision benefits increased to $250 of Covered Expenses - same as adult benefits.

Annuity:

- There have been no Annuity Plan changes since 2014 and the annual recordkeeping fee remains at $35 (assessed to each Participant Account at $8.75 per quarter).
- The investment return for 2016 was approximately 5.28% and the Net Asset Value (NAV) of the Fund hit it's all time high of $14.76 per unit/share on February 21, 2017. Over the last 30 years the Annuity Fund has yielded an investment return of 6.61%.

DISCLAIMER: This presentation is not a full explanation of the Pension Plan changes and should not be used to make retirement decisions. These changes affect each Participant differently.

Questions?