



## MICHIGAN REGIONAL COUNCIL OF CARPENTERS' FRINGE BENEFIT FUNDS

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### **SUMMARY OF BENEFIT CHANGES EFFECTIVE AUGUST 1, 2013**

#### **INTRODUCTION**

As you may know, the Carpenters Pension Trust Fund, Detroit & Vicinity (the "Fund") has been operating under the Pension Protection Act's (PPA) "red zone" since 2009. Its current PPA rehabilitation plan initially called for \$1.55 per hour in uncredited contributions through 2015 and \$.75 per hour in 2016. This would have resulted in an average pension contribution rate of over \$19.00 per hour, with only about one third of that amount being credited. Because of lower than expected work hours last year, those contribution rates would have had to be increased even higher, which ultimately could destroy the industry on which the Fund relies. The Fund's trustees evaluated all methods to preserve the Pension Plan long term, and prepared a workout plan, based on the following considerations:

- Due to fluctuating investment returns and a decrease in industry hours, it has become more difficult to meet the current PPA actuarial targets of 8% investment return and 9 million man hours. However, lowering those targets now would substantially increase the PPA contribution obligations, resulting in even higher future funding burdens on participants.
- The PPA allows for the adoption of what is known as an "All Reasonable Measures Plan," which permits pension funds to devise their own workout plans, which are less rigid than the regular ones imposed by the law. Such workout plans generally consist of some new contributions, combined with benefit cuts. That is what has been adopted by the Pension Fund, effective August 1, 2013, with details provided below.

#### **IMPORTANT REMINDERS**

- THIS NOTICE IS A **SUMMARY** ONLY. ALL FIGURES USED IN THIS NOTICE ARE FOR ILLUSTRATIVE PURPOSES ONLY, THEY ARE APPROXIMATE AND ROUNDED. THIS IS DONE IN ORDER TO SIMPLIFY THE EXPLANATION OF THE CHANGES DISCUSSED IN THIS NOTICE. THE EXAMPLES ARE PROVIDED TO HELP YOU UNDERSTAND THESE CHANGES, BUT THEY DO NOT COVER EVERY POSSIBLE SCENARIO (I.E. MARRIED, UNMARRIED, DIVORCED, ETC).
- KEEP IN MIND THAT NO ONE WILL BE REQUIRED TO PAY BACK ANY BENEFITS AS A RESULT OF THE CHANGES DISCUSSED IN THIS NOTICE. IF YOUR BENEFIT IS REDUCED, THE REDUCTION WILL APPLY ONLY TO BENEFITS PAID ON OR AFTER AUGUST 1, 2013, NOT TO ANY BENEFITS PREVIOUSLY PAID.

### **SUMMARY OF PLAN CHANGES – EFFECTIVE AUGUST 1, 2013**

1. **NEW RULES FOR FUTURE EARLY RETIREES.** In order to get an **unreduced** pension, future retirees will now have to work to age 62, and meet the applicable requirements for retirement. The earliest permitted retirement date will be age 55, even if you meet the "old" index rules. Between the ages of 55 and 62, retirement benefits will be **reduced** by the early retirement factors described in section 3 below, whichever one

applies to you, either (A) or (B) – but not both. In other words, there will no longer be any unreduced pension benefits before age 62, even if you meet the index 85 requirements (or index 80 that was in effect before). There are certain special rules for retirees currently in pay status (see section 4), active participants close to retirement (see section 5) disabled participants (see section 6), and vested deferred participants (see Section 3).

Once you start receiving your retirement benefits and these reduction factors have been applied, your benefits will not be changed as you reach age 62 (or 65). So even though index 85 (or 80) will be used to establish which reduction factors will apply to you, they will no longer be the eligibility criteria for an unreduced pension. Rather, age 62 will now be used instead. Please note that the Plan's normal retirement age has always been age 65, at which point no early retirement factors apply – that is unchanged by these Plan modifications.

2. **RETIREMENTS BETWEEN AGES 55 AND 62.** Again, you will no longer be able to retire before age 55. Between the age of 55 and 62, your early retirement pension amount will be reduced by the "early retirement factors" described in parts (A) or (B) of this section 2, but not both. Which reduction factors apply to you depends on which criteria you meet at the time of your retirement (not now).

**A). ACTIVES -- IF YOU ARE AN ACTIVE PARTICIPANT AND RETIRE AFTER MEETING THE "INDEX" CRITERIA, THIS PART (A) APPLIES TO YOU.** If you retire on or after August 1, 2013, but before reaching your age 62 and can meet the index 85 and age 55 (or the prior index 80 and age 55) provisions at the time of your retirement, your benefits will now be reduced at 1/3% per month for each month between your age at retirement and age 62 i.e., at 4% per year, if the reduction is not capped under a grandfather provision (see section 5.) Eligibility for these lower reduction factors under this part (A) will be measured at your retirement, so there is no need to retire immediately to take advantage of the lower reduction factors, or any applicable cap. Again, if you reach age 62 and meet the criteria for retirement, then these reductions will NOT apply to you.

**Example:** If you are age 58 at retirement (Note – you must be minimum of age 55 to retire) and have 28 years of credited service, you have accrued 86 points (58+28=86) thus satisfying the criteria for the lower reduction factors described in this part (A). Assuming that you have accrued a \$3,000 basic benefit amount, those early retirement reduction factors will be applied as follows:

*There are 48 months between your retirement age of 58 and age 62, multiplied by 1/3% per month, equals a 16% total benefit reduction. This then produces an early retirement benefit of \$2,520 (\$3,000 reduced by 16% equals a \$2,520 base monthly benefit). Your actual benefit amount is then further adjusted for any spousal survivor option that you choose at the time of retirement. Keep in mind that if you work until age 62, and meet the criteria for retirement, the early retirement reductions described in this section will NOT apply to you.*

**B). ACTIVES -- IF YOU ARE AN ACTIVE PARTICIPANT AND RETIRE WITHOUT MEETING THE "INDEX" CRITERIA, THIS PART (B) APPLIES TO YOU.** If you do not meet the index 85/age 55 (or the prior index 80/age 55) requirements by the time of your retirement, the reduction factors used will be a higher percentage, set at 5/9% per month (instead of 1/3% per month, as in part A) counted from age 62, i.e. 6 2/3% per year. Again, eligibility for these reduction factors is measured at the time of your retirement and not based on your current age.

**Example:** If you are age 58 at retirement (Note - you must be a minimum of age 55 to retire) and have 20 years of credited service, you have then accrued 78 points and will be subject to the higher reduction factors described in this part (B) because you did not satisfy the 85 points requirement described in part (A) -- you only had 78 points. Assuming that you have accrued a \$3,000 basic benefit amount, those higher early retirement reduction factors will be applicable as follows:

There are 48 months between your retirement age of 58 and age 62, which are now multiplied by 5/9% per month (instead of 1/3% per month in the previous example in part (A)) resulting in a 26.67% total benefit reduction. This then produces an early retirement benefit of \$2,199.90 (\$3,000, reduced by 26.67% equals a \$2,199.90 base monthly benefit). Your actual benefit amount is then further adjusted for any spousal and survivor option that you choose at the time of retirement. Keep in mind that if you work until age 62 and meet the criteria for retirement, the early retirement reductions described in this section will NOT apply to you.

3. **VESTED DEFERRED -- IF YOU ARE VESTED AND YOU LEAVE THE TRADE FOR A PERIOD OF AT LEAST TWO YEARS, THIS SECTION APPLIES TO YOU.** Vested participants (partial or full) who have left the trade for at least two plan years (with zero hours earned in those two years) and have not cured their break in service immediately prior to retirement (by working a total of 435 hours in the two consecutive plan years immediately before retirement), will be subject to higher reduction factors than active participants – 5/9% per month, i.e. 6 2/3% per year from age 65 (instead of from age 62). These retirement factors will NOT apply to you if you retire at age 65 and meet the retirement criteria for normal retirement.

**Example:** If you accrued a \$3,000 vested basic benefit amount before leaving the trade and retire at age 58, there will be 84 months between your retirement age of 58 and age 65, which will be multiplied by 5/9% per month, resulting in a 46.67% total benefit reduction. This then produces an early retirement benefit of \$1,599.90 (\$3,000 reduced by 46.67%, equals a \$1,599.90 base monthly benefit assuming you are 100% vested). If you wait to retire until age 65, then no reduction factors apply. In either case, your actual benefit amount will be further adjusted for any spousal and survivor option that you choose at the time of retirement.

4. **CURRENT RETIREES -- IF YOU ARE A CURRENT UNREDUCED EARLY RETIREE IN PAY STATUS, YOUR TOTAL BENEFIT REDUCTION WILL BE CAPPED.** If you retired as of September 1, 2008, as an unreduced early retiree, and are in pay status now, your current benefit reduction will be capped at a total of 5% (not 5% per year, but a total cap on the overall reduction). Anyone retired prior to September 1, 2008, will not be reduced under these new rules. Also, if you convert from a disability benefit to a regular retirement, even after August 1, 2013, you will not be affected by these changes, provided your disability benefit commenced before September 1, 2008. Surviving spouses, or beneficiaries of participants whose original retirement date was before September 1, 2008, will also be unaffected by these changes.

**Example:** If you retired as an unreduced early retiree on or after September 1, 2008 (other than on disability or normal retirement at age of 65), then your current monthly benefit amount will be recalculated but will not be reduced by more than 5%, regardless of whether you are the retiree, surviving spouse, or a surviving beneficiary – including so-called “QDRO” divorce beneficiaries. So, if your monthly benefit is now \$3,000, it will be reduced by no more than \$150 (5% of \$3,000) resulting in a new amount of \$2,850 per month, starting with the August 1, 2013, check. But, keep in mind the actual reduction will depend on your birthday, so if you were very close to age 62 at the time of retirement, your reduction may not be reduced at all or it will be less than 5%.

5. **ACTIVES WHO ARE CLOSE TO RETIREMENT -- IF YOU ARE WORKING NOW BUT ARE CLOSE TO RETIREMENT, YOUR BENEFIT REDUCTIONS WILL BE CAPPED.**

The same 5% total reduction cap that applies to current retirees will also apply to Active Participants (those still working) who are close to retirement – i.e. those that will be able to meet either the index 85 and age 55 (or the prior index 80 and age 55) criteria during a two year window period -- by August 1, 2015. However, you do not have to retire immediately or fill out any special application to take advantage of this cap – you can keep working and the 5% cap on your early retirement reductions will be automatically applied at your actual retirement.

**Example:** *If you can meet index 85 and age 55 (or the prior index 80 and age 55) during the two year window **from August 1, 2013, to July 31, 2015**, your overall benefit reduction will be capped at a total of 5%. For example, if you have reached at least 85 points with age 55 during the two year window (August 1, 2013 to July 31, 2015) and retired at age 58 in 2017, your early retirement reduction would have been 16% (i.e. 1/3% per month for the 48 months between your retirement age of 58 and age 62). However, since you satisfied the requirements for the cap during the two year window period, your reduction will then be capped at 5%. So, if your future benefit was going to be \$3,000 per month, it will now be \$2,850 (\$3,000, reduced by 5% = \$2,850). Of course, if your reduction was going to be less than 5% under the new formula, then that lower reduction will apply.*

6. **DISABILITY RETIREES – CURRENT AND FUTURE, THIS SECTION APPLIES TO YOU.** All current disability retirees who went into pay status on or after September 1, 2008 and do not currently have a social security disability award, will now have to obtain one within one year (by August 1, 2014) to keep receiving a disability benefit. If you are unable to acquire a social security disability award, your disability benefit will terminate as of August 1, 2014. Likewise, all future disability retirees must have a social security disability award in order to qualify for a disability pension benefit. Disability benefits of retirees who went into pay status on or after September 1, 2008, will be capped until they reach their retirement age when the disability benefit is converted to the appropriate retirement benefit, as follows:

Accrued Service Credits	Disability Amount Cap
5-9 Credit Years	\$525
10-15 Credit Years	\$625
16-19 Credit Years	\$725
20-24 Credit Years	\$1,050
25+ Credit Years	\$1,350

The above schedule sets forth the maximum disability benefit amount that will now be paid by the Plan to the disabled participants, who went into pay status on or after September 1, 2008, before they convert to regular retirement benefits. Because disability benefits are convertible to retirement benefits – either early or normal, when you convert is up to you -- but if you do it before age 62, you will be subject to the same reduction factors described in section 2, unless you are eligible for the 5% cap, described in sections 4 or 5. Disability retirees who went into pay status before September 1, 2008, are NOT affected by these changes, nor are their surviving beneficiaries.

7. **OTHER PLAN CHANGES.**

**A).** The pre-retirement survivor annuity will now pay a 50% survivor benefit (instead of the 100%) if you die on or after August 1, 2013, but before your actual retirement. Post-retirement survivor annuity death benefits, i.e. continuation payments paid to a beneficiary following your death, are unaffected by this change.

**B).** No pre-retirement lump sum death benefits will be payable for deaths on or after August 1, 2013. Surviving spouses of participants who die on or after August 1, 2013 must receive their benefits in the form of a surviving spouse annuity (see A above). There will be no death benefit payable in the event an unmarried participant dies before retiring. If you are the beneficiary of a participant who died prior to August 1, 2013, this change will generally not affect you.

**C).** No post-retirement lump sum death benefits will be payable for participants who enter pay status on or after August 1, 2013.

**D).** The enforcement of the suspension of benefit rules will be reviewed and will continue to be strictly enforced.

8. **FUTURE CONTRIBUTIONS.** After the \$1.55 uncredited contribution due on June 1, 2013, is added, no future increases in the uncredited contribution rate are envisioned – if all actuarial assumptions are met on an ongoing basis. The Pension Fund's assumptions for future funding will be lowered, to make them even easier to meet and take the pressure off such future funding obligations – 7 ½% investment return target (instead of 8%) and 7 million man hours' projection for this year (climbing to 7.5 million and then 8 million, instead of 10 million) in the future.

9. **OTHER FRINGE BENEFITS.** The Annuity Fund and other fringe benefits are not affected by these changes to the Pension Plan.

**YOUR RIGHTS UNDER ERISA**

As a participant in this Plan you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974, also called ERISA. ERISA provides that all Plan participants are entitled to:

1. Examine, without charge, all Plan documents, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 series) and updated summary plan description and insurance contracts and any documents filed by the Plan with the U.S. Department of Labor, such as detailed financial reports, etc. This examination may take place at the Plan Administrator's office and at other specified locations such as the work site or the Union Hall.
2. Obtain, upon written request to the Plan Administrator, copies of documents governing the plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 series) and updated Summary Plan Description. The Plan Administrator may make a reasonable charge for the copies.
3. Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this Summary Annual Report.
4. Obtain a statement telling you what rights you have with respect to benefits offered by the Plan. **THIS STATEMENT MUST BE REQUESTED IN WRITING AND IS NOT REQUIRED TO BE GIVEN MORE THAN ONCE A YEAR.** The Plan must provide the statement free of charge.

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people (trustees) who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, your Union or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a plan benefit or exercising your rights under ERISA. In addition:

1. If your claim for a benefit is denied in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, within certain time schedules.
2. Under ERISA, there are steps you can take to enforce your rights. For instance, if you request materials from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the plan administrator.
3. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court.
4. If you have a claim for benefits, which is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan's decision, you may file suit in Federal Court. If the Plan's fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and a fee if, for example, it finds your claim is frivolous.

## **QUESTIONS AND CONTACT INFORMATION**

If you have questions regarding this notice, you should contact the Fund Office at **248-641-4950** or toll free at **1-800-572-2525** or [questions@hammer9.com](mailto:questions@hammer9.com). You can also write to the administrator at Detroit Carpenters Pension Fund, P.O. Box 4540, Troy, Michigan, 48099-4550. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the plan administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

## **IMPORTANT NOTICE**

You should keep this notice along with your Summary Plan Description (SPD). This notice is only a summary; it is not an official plan document. In the event of any ambiguity in or omission from this notice, or any conflict between this notice and the official plan text, the official plan text will govern.

Sincerely,

The Board of Trustees for the Carpenters Pension Trust Fund, Detroit & Vicinity

*This notice is required to be furnished to you pursuant to Section 204(h) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 4980F and Section 432(e)(8)(c) of the Internal Revenue Code of 1986, as amended, and is provided to all Plan Participants and alternate payees, contributing Employers, and employee organizations. This notice also constitutes a summary of material modifications under Sections 102(a) and 104(b) of ERISA.*