



SOLANO AND NAPA COUNTIES
ELECTRICAL WORKERS BENEFIT FUNDS



September 2012

**Solano Napa Counties Electrical Workers Pension Plan and
401(a) NOTICE OF PLAN BENEFIT CHANGE
Profit Sharing 401(a) and Pension Reciprocity Crediting
Method**

Current reciprocal plan crediting process:

Work in a jurisdiction with only a defined contribution plan:

John is an IBEW Local 180 member. IBEW Local 180 is his "home local." Under the Electrical Workers National Reciprocity Agreement he has two home local funds, the defined benefit "Pension" Plan and the defined contribution "401(a) Profit Sharing" Plan. The bargaining agreement of his home local requires \$5.85 per hour to be paid to the Pension Plan and \$.20 per hour to be paid to the defined contribution Profit Sharing Plan. John goes to work in a jurisdiction with only a defined contribution plan (e.g. Contra Costa County/IBEW Local 302). The contribution required under the collective bargaining agreement in the work jurisdiction is \$4.00 per hour. John works 1,400 hours in 2012. His employer contributes \$5,600 to the Defined Contribution Plan in the jurisdiction where the work was performed. That Defined Contribution Plan reciprocates \$5,600 to John's home local (IBEW local 180) and it is credited to John's Solano Napa Counties Electrical Workers 401(a) Profit Sharing Plan (defined contribution plan to defined contribution plan or commonly referred to as "like plan to like plan"). Nothing is credited to John's Solano Napa Counties Electrical Workers Pension Plan.

Work in a jurisdiction with only a defined benefit plan:

John is an IBEW Local 180 member. IBEW Local 180 is his "home local." Under the Electrical Workers National Reciprocity Agreement he has two home local funds, the defined benefit "Pension" Plan and the defined contribution "401(a) Profit Sharing" Plan. The bargaining agreement of his home local requires \$5.85 per hour to be paid to the Pension Plan and \$.20 per hour to be paid to the defined contribution Profit Sharing Plan. John goes to work in a jurisdiction with only a defined benefit (pension) plan. The contribution required under the collective bargaining agreement in the work jurisdiction is \$4.00 per hour. John works 1,400 hours in 2012. His employer contributes \$5,600 to the Defined Benefit Plan in the jurisdiction where the work was performed. That Defined Benefit Plan reciprocates \$5,600 to John's home local (IBEW local 180) and it is credited to John's Solano Napa Counties Electrical Workers Pension Plan (defined benefit plan to defined benefit plan or commonly referred to as "like plan to like plan"). Nothing is credited to John's Solano Napa Counties Electrical Workers 401 (a) Profit Sharing Plan. [Note: Even if the contribution in the jurisdiction worked exceeded \$5.85 per hour it would all go to the Solano Napa Counties Electrical Workers Defined Benefit Plan. Of course, if the contribution exceeded \$5.85 per hour, for example \$6.50 per hour, 1400 hours worked would result in more than one (1) benefit credit: \$6.50 divided by \$5.85 = 1.11 so your benefit of \$133 would be multiplied by 1.11 = \$148.]

Work in a jurisdiction with both a defined benefit plan and defined contribution plan:

John is an IBEW Local 180 member. IBEW Local 180 is his "home local." Under the Electrical Workers National Reciprocity Agreement he has two home local funds, the defined benefit "Pension" Plan and the defined contribution "401(a) Profit Sharing" Plan. The bargaining agreement of his home local requires \$5.85 per hour to be paid to the Pension Plan and \$.20 per hour to be paid to the defined contribution Profit Sharing Plan. John goes to work in a jurisdiction with both a defined benefit (pension) plan and a defined contribution plan. The contribution required under the collective bargaining agreement in the work jurisdiction is \$4.00 per hour for the defined benefit pension plan and \$3.00 per hour for the defined contribution plan. John works 1,400 hours in 2012. His employer contributes \$5,600 to the Defined Benefit Plan in the jurisdiction where the work was performed and \$4,200 to the defined contribution plan. That Defined Benefit Plan reciprocates \$5,600 to John's home local (IBEW local 180) and it is credited to John's Solano Napa Counties Electrical Workers Pension Plan (defined benefit plan to defined benefit plan or commonly referred to as "like plan to like plan"). However, since it is less than \$5.85 per hour the 1400 hrs. worked does not buy a full benefit credit of \$133 but only buys 68% [\$4.00 divided by \$5.85 = 68%] or a \$90.44 per month benefit payable at unreduced retirement age. The defined contribution plan transfers \$4,200 to John's account in the Solano Napa Counties Electrical Workers 401(a) Profit Sharing Plan.

The simple rule that has been in place is like plan to like plan. Consequently, work in a jurisdiction with only a defined contribution plan provided no defined benefit Pension Plan credits. Similarly, work in a jurisdiction with only a defined benefit pension plan provided no contributions for the 401(a) Profit Sharing Plan. Work in a jurisdiction with both type of plan would not provide a full benefit credit for the Solano Napa defined benefit pension plan unless the contribution in the work jurisdiction for the defined benefit plan in that jurisdiction equaled or exceeded \$5.85 per hour.

New reciprocal crediting process effective with September 1, 2012 deposits:

Example 1 (work in a jurisdiction with only a defined contribution plan)

John is an IBEW Local 180 member. IBEW Local 180 is his "home local." Under the Electrical Workers National Reciprocity Agreement he has two home local funds, the defined benefit "Pension" Plan and the defined contribution "401(a) Profit Sharing" Plan. The bargaining agreement of his home local requires \$5.85 per hour to be paid to the Pension Plan and \$.20 per hour to be paid to the defined contribution 401(a) Profit Sharing Plan. John goes to work in a jurisdiction that only has a defined contribution plan (e.g. Contra Costa County/IBEW local 302). The contribution required under that collective bargaining agreement is \$6.00 per hour. John works 1,400 hours in 2013

under the new rule. His employer contributes \$8,400 to the Defined Contribution Plan in the jurisdiction where John has worked. That Defined Contribution Plan reciprocates \$8,400 to John's home local (IBEW Local 180). Of that amount 1400 hrs. at \$5.85 per hour (\$8,190) is credited to John's Solano Napa Counties Electrical Workers Pension Plan (all reciprocated dollars hours up to \$5.85 per hour for each hour worked is credited to John's Solano Napa Counties Electrical Workers defined benefit "Pension" Plan.) This provides John a full benefit credit or \$133 per month at time of retirement.

The balance of the \$6.00/hour, \$.15 per hour or \$210, is credited to John's Solano Napa Counties Electrical Workers 401(a) Profit Sharing Defined Contribution Plan account.

Example 2 (work in a jurisdiction with only a defined benefit plan)

John is an IBEW Local 180 member. IBEW Local 180 is his "home local." Under the Electrical Workers National Reciprocity Agreement he has two home local funds, the defined benefit "Pension" Plan and the defined contribution "401(a) Profit Sharing" Plan. The bargaining agreement of his home local requires \$5.85 per hour to be paid to the Pension plan and \$.20 per hour to be paid to the defined contribution Profit Sharing Plan. John goes to work in a jurisdiction that only has both a defined benefit plan. The contribution required under that collective bargaining agreement is \$5.50 per hour to the defined benefit plan. John works 1,400 hours in 2013 under the new rule. His employer contributes \$7,700 to the Defined Benefit Plan in the jurisdiction where John has worked. That plan reciprocates \$7,700 to John's home local (\$5.50 x 1,400 hrs = \$7,700). The full amount of \$7,700 is credited to John's Solano Napa Counties Electrical Workers Pension Plan (all reciprocated dollars hours up to \$5.85 per hour for each hour worked is credited to John's Solano Napa Counties Electrical Workers defined benefit "Pension" Plan.) This provides John a partial benefit credit or \$125.00 (\$5.50 per hour earned in the work local is 94% of the \$5.85 contribution in John's home local so he only earns 94% of the \$133 monthly benefit payable at unreduced retirement age).

If the jurisdiction where John worked had a contribution in excess of \$5.85 to its defined benefit plan, for example \$7.00, then only \$5.85 per hour of that amount would go into his defined benefit Pension Plan (giving him a full \$133 benefit) and the balance of \$1.15 per hour or \$1,610 would go into John's Solano Napa Counties Electrical Workers 401(a) Profit Sharing Defined Contribution Plan account.

Ex. 3 (work in a jurisdiction with both a defined benefit plan and defined contribution plan)

John is an IBEW Local 180 member. IBEW Local 180 is his "home local." Under the Electrical Workers National Reciprocity Agreement he has two home local funds, the defined benefit "Pension" Plan and the defined contribution "401(a) Profit Sharing" Plan. The bargaining agreement of his home local requires \$5.85 per hour to be paid to the Pension plan and \$.20 per hour to be paid to the defined contribution Profit Sharing Plan. John goes to work in a jurisdiction that has both a defined contribution plan and a defined benefit plan (e.g. San Jose/IBEW local 332). The contribution required under

that collective bargaining agreement (IBEW 332 jurisdiction) is \$5.50 per hour to the IBEW 332 defined benefit plan and \$3.00 to the defined contribution plan. John works 1,400 hours in 2013 under the new rule. His employer contributes \$7,700 to the Defined Benefit Plan in the jurisdiction where John has worked ($\$5.50 \times 1400$ hours) and also contributes \$4200 to the defined contribution plan in the jurisdiction where John has worked ($\$3.00 \times 1400$ hours). Those plans reciprocate \$11,900 to John's home local ($\$5.50 \times 1,400$ hrs = $\$7,700 + \$3.00 \times 1,400$ hrs = $\$4,200$ or a total of \$11,900). Of that amount 1400 hrs. at \$5.85 per hour (8,190) is credited to John's Solano Napa Counties Electrical Workers Pension Plan (all reciprocated dollars hours up to a maximum of \$5.85 per hour for each hour worked is credited to John's Solano Napa Counties Electrical Workers defined benefit "Pension" Plan.) This provides John a full benefit credit or \$133 per month at time of retirement.

The balance of the \$2.65/hour ($\$5.50 + \$3.00 = \8.50 per hour total of both contributions less the \$5.85 paid to the Solano Napa Counties Electrical Workers Pension Plan = \$2.65 per hour, or \$3,710, is credited to John's Solano Napa Counties Electrical Workers 401(a) Profit Sharing Defined Contribution Plan account. [Since the jurisdiction John is working only contributes \$5.50 per hour to its defined benefit plan, \$.35 per hour is taken from the defined contribution amount to bring the defined benefit contribution up to \$5.85 per hour. The remaining amount, \$2.65 per hour ($\$3.00 - \$.35$) is credited to John's defined contribution 401(a) Profit Sharing Plan.

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