

LOCAL UNION #306 I.B.E.W. PENSION ANNUITY PLAN & LOCAL UNION #306 I.B.E.W. 401(k) PLAN

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TO: LOCAL 306 PENSION-ANNUITY & 401(K) FUND PARTICIPANTS AND BENEFICIARIES

FROM: THE BOARD OF TRUSTEES

DATE: September 1, 2023

RE: IMPORTANT CHANGES TO YOUR PENSION – ANNUITY AND 401(K) ACCOUNT

Dear Participants and Beneficiaries,

We are writing to advise you of important changes that will be made to your account with the IBEW Local 306 Pension – Annuity and 401(k) Funds (“Fund”). These changes relate to the payment of expenses needed for the Fund’s operations. Once these changes are implemented, you will have a quarterly administrative fee of \$50.00 deducted from your Pension Annuity account balance and a fee of \$40.00 deducted from your 401(k) account balance. Notwithstanding this charge, over time, you will see cost savings as a result of this change. We have enclosed a document illustrating the cost savings under this new arrangement for your review. This is the first informational mailing that you will receive about this change, with additional mailings to follow. The additional mailings will include information on membership meetings that will be held to answer any questions.

As you know, the Local 306 Funds gives you with the opportunity to prepare and save for retirement. As with most things of value, these Funds cost money to operate. For instance, the Fund must prepare and file annual reports with the IRS and with the U.S. Department of Labor. Additionally, the Fund must comply with constantly changing federal laws. Beyond the filing and compliance requirements, the Fund must also pay for the services of, among others: investment managers; investment consultants; legal counsel; auditors; third party administrators; insurance providers; and record keepers. These service providers work behind the scenes to make sure that the Fund remains operational and compliant, for your benefit and financial security.

The Fund has historically paid a portion of its expenses through revenue sharing arrangements with mutual funds. Basically, the Fund’s mutual funds shared some of the investment management fees that they earned on your investments with the Fund. The Fund then used these fees to pay its expenses. These fees are deducted from investment earnings in each participant’s account rather than a direct charge against its balance.

The Department of Labor is strongly urging all defined contribution retirement accounts to pay administrative costs directly through fund participants, on an equal basis. Such a funding mechanism eliminates the possibility for revenue sharing arrangements. The Fund’s Trustees have agreed to make this change on the advice of their professionals. Please understand that while the method by which the Fund pays its expenses will change, the Fund’s overall expenses will not. Stated another way, the Fund’s operational expenses will remain consistent, they will just be paid differently. Moreover, once this change is made, you may see a reduction in the investment management fees charged on your investments, which will increase your investment earnings (the change will result in a decrease in investment costs of approximately 0.14%). Under this new arrangement, all Fund participants will pay an equal share for the Fund’s operation, regardless of their account balance. Likewise, you will be able to see how much you are paying towards the Fund’s operational costs more easily.

We believe that the enclosed charts provide a clear illustration of the benefits of this transition from revenue sharing to direct participant payments. Of course, please feel free to contact the Fund’s Administrative Office or the Fund’s Board of Trustees if you should have any questions on this transition, or about the enclosed charts or about this transition relating to Fund operational expenses.

**Local Union #306 I.B.E.W. Pension Annuity Plan and
Local Union #306 I.B.E.W. 401(k) Plan**
Account Fee Change Examples

Dear Plan Participant:

The Trustees of the Local Union #306 I.B.E.W. Pension Annuity Plan and the Local Union #306 I.B.E.W. 401(k) Plan are announcing a change to the fee structure of the Plan as described in the accompanying communication. This change will be implemented January 1, 2024, and it will result in a monthly administrative fee of \$50.00 being deducted from your Pension Annuity account balance and a fee of \$40.00 being deducted from your 401(k) account. The reasons for this change are further described below. Please note, that in an effort to increase participation in the 401(k) Plan, the Trustees have negotiated a fee waiver for 401(k) account balances below \$1,000.

Each Plan incurs various expenses for the administration, recordkeeping and professional services, such as accounting, legal, and investment consulting, to maintain and efficiently operate the Plan. Currently, the Plan's Operating Expenses are approximately 0.12% for the Pension Annuity Plan and 0.24% for the 401(k) Plan, levels that are competitive.

The Plans' investment options currently charge expenses for investment management and administration of the funds, as well as fees to cover the remaining portion of the Plans' Expenses. These fees are deducted from investment earnings in each participant's account rather than a direct charge against its balance.

Following the change to the Plan's fee structure as detailed in the accompanying communication, Operating Expenses will be paid by the quarterly Per Account Administrative Fee. This approach allocates Total Expenses of the Plans more equally across all participants. This change will result in a decrease in the Plans' investment fees of approximately 0.14%, which increases investment earnings.

The following table provides an example of the impact of the change in the Per Account Charge and the investment savings for different size accounts in the Pension Annuity. You will notice investment savings increase over time as your account balance grows. Over time, the new fee structure will result in total account savings.

Starting Balance	Annual Fee Deduction	Annual Investment Fee Savings*				
		Year 1	Year 2	Year 3	Year 4	Year 5
\$10,000	\$200	\$18	\$25	\$32	\$40	\$49
\$50,000	\$200	\$77	\$88	\$100	\$112	\$126
\$100,000	\$200	\$150	\$166	\$184	\$203	\$223
\$200,000	\$200	\$296	\$323	\$352	\$384	\$418

* Annual investment fee savings based on average investment expense ratio reduction of 0.14%, 7% annual net of fees investment return and \$3,800 annual contribution.