



Local 513 - Fringe Benefit Funds

International Union of Operating Engineers, AFL-CIO

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**To: All Plan Participants
Local Union 513 Pension Plan**

From: The Board of Trustees

Date: April 15, 2016

Dear Participant:

We would like to announce recent changes to the Pension Plan. This document serves as a Summary of Material Modification for the changes.

Changes Made by the First Amendment to the Pension Plan

The First Amendment to the Pension Plan sought to clarify the Plan language with regard to Disability Pensions as follows:

- The First Amendment clarified that a Participant's disability must be both total and permanent; thus, must be expected to continue for the rest of the Participant's life.
- The First Amendment clarified that Disability Benefits are ancillary rather than accrued benefits under the law; thus, are subject to reduction or termination at any time.

Change Made by the Second Amendment to the Pension Plan

The Second Amendment to the Pension Plan clarified that the term "Spouse," applies to any person to whom a Participant is considered married under applicable state law, including an individual of the same sex if the law of the state where the marriage took place authorizes the marriage of two individuals of the same sex. The term "Spouse" does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under state law that is not denominated as a marriage under the laws of that state.

Changes Made by the Third Amendment to the Pension Plan

The Third Amendment to the Pension Plan made the following changes to the Pension Plan:

- The Third Amendment clarified the process used by the Fund Office when it receives an incomplete application. The Fourth Amendment makes most of this process unnecessary

for new applications submitted on or after April 6, 2016, since all disability applicants must now obtain a Social Security Disability award letter (See below).

- The Third Amendment changed the categories of disqualifying employment for purposes of Disability Pensions. The Fourth Amendment requires a Participant to obtain a Social Security Disability award in order to receive a Disability Pension from the Fund; thus, the Fund now follows Social Security's guidelines related to disqualifying employment for applications submitted on or after April 1, 2016 (See below).
- The Third Amendment makes it clear that Participants who elected the Level Income Option at retirement, would be unable to convert their benefit to a Disability Benefit.

Changes Made by the Fourth Amendment to the Pension Plan

Early Retirement Pension Changes

For benefits accrued prior to May 1, 2016, the Early Retirement reduction will stay one-quarter of one percent for each month by which the commencement of the pension precedes age 62, regardless of how many Pension Credits a Participant has over the ten required to be eligible to receive an Early Retirement Pension. For benefits accrued on or after May 1, 2016, the Early Retirement reduction will vary depending on the number of Pension Credits the Participant has at the time of retirement. The reduction for benefits accrued on or after May 1, 2016, will be applied as follows:

<u>Pension Credits</u>	<u>Reduction per Month</u>	<u>Annual Rate</u>
25 or more	1/4%	3%
20 up to 25	1/3%	4%
15 up to 20	5/12%	5%
Less than 15	1/2%	6%

For example, Participant A applies for an Early Retirement Pension 12 months before his 62nd birthday. At the time of retirement, Participant A has 22 Pension Credits. If he had waited until he was 62 years old to retire, Participant A would have been entitled to a Regular Pension in the amount of \$2,000.00 per month. Of this \$2,000, \$1,500 is based on benefits accrued prior to May 1, 2016, and \$500.00 is based on benefits accrued on or after May 1, 2016. The benefit accrued prior to May 1, 2016, will be reduced by \$45 for Early Retirement (1/4% reduction per month x 12 months x \$1,500), and the benefit accrued on or after May 1, 2016, will be reduced by \$20 (1/3% per month x 12 months x \$500). Based on these reductions, Participant A will receive a monthly Early Retirement Pension benefit of \$1,935.

A Participant's Pension Credits, for purposes of both eligibility and the reduction factor, shall be calculated by taking into account both hours of work in Covered Employment under this Plan and hours of work in covered employment in any other defined benefit pension plan during periods in which a reciprocity agreement is in effect between this Plan and such other plan. A Participant must provide evidence of such hours of work in covered employment in another plan at the time his application is submitted.

The eligibility requirements for Early Retirement Pensions remain the same for both benefits accrued prior to May 1, 2016, and those accrued on or after May 1, 2016, and are as follows:

- Participant must be at least 55 years of age,
- Participant must have at least 10 Pension Credits, and
- Participant must have reached Vested Status

Disability Pension Changes

Effective with applications received on or after April 6, 2016, the eligibility requirements to qualify for a Disability Pension from the Pension Plan have changed. These changes will be applicable to benefits accrued both before and after the effective date. A Participant will be eligible for a Disability Pension only if:

- he or she has received an award of disability benefits from the Social Security Administration; and
- he or she has at least 15 Pension Credits; and
- he or she has worked a total of at least 500 hours in Covered Employment during the 36 months prior to the month in which his or her disability onset occurred, as determined by the Social Security Administration; and
- he or she is not eligible for an Early Retirement Pension or a Regular or Deferred Pension.

In addition, the calculation of the Disability Pension amount has also changed as of April 6, 2016. Previously, the Disability Pension benefit was the amount to which the Participant would have been entitled to receive as a Regular Pension if he or she had attained Normal Retirement Age at the time of disability onset. The Disability Pension benefit will now be the amount to which the Participant would have been entitled to receive as a Regular Pension if he or she had attained Normal Retirement Age at the time of disability onset, reduced by a percentage dependent on the number of his or her Pension Credits at the time of retirement. These reductions will be applied as follows:

<u>Pension Credits</u>	<u>Reduction in Full Regular Pension</u>
25 or more	21%
20 up to 25	28%
15 up to 20	35%

For example, at the time of disability onset, Participant A is 50-years-old and would have been entitled to receive a monthly Regular Pension benefit of \$2,000 at age 62. Participant has a total of 22 Pension Credits; thus, he will have a reduction of 28% applied to his Regular Pension benefit amount in order to arrive at his Disability Pension benefit amount. Thus, Participant A is entitled to a monthly Disability Pension benefit of \$1,440.

A Participant's Pension Credits, for purposes of both eligibility and the reduction factor, will be calculated by taking into account both hours worked in Covered Employment under this Plan and

hours worked in covered employment under any other defined benefit pension plan during periods in which a reciprocity agreement is in effect between this Plan and such other plan. A Participant must provide evidence of such hours of work in covered employment in another plan at the time his or her application is submitted.

Provided that a Participant applies for a Disability Pension within 6 months after the date his or her Social Security Disability award letter is issued, the commencement date shall be retroactive to the date of his or her disability onset as determined by Social Security (or, if such date is not the first day of a month, the first day of the following month). Otherwise, the commencement date of a Disability Pension shall be the first day of the month following the month in which he or she completes his or her application, provided the application is approved by the Trustees.

A Disability Pension shall terminate if the Participant ceases to be disabled under Social Security criteria. A Disability Pension shall be automatically converted to an Early Retirement Pension, with no change in monthly amount, when the Participant attains age 55, and shall not thereafter be dependent on continued disability.

Disability Pensions in effect prior to the effective date will not be impacted by these changes,

You can find copies of all of amendments at the website for the Plan:
<http://www.iuoe513fringe.org>.

Please contact the Local 513 Fringe Benefit Office, Pension Department, should you have any questions or require additional information.