The Washington State Plumbing and Pipefitting Industry Pension Plan

SIP Benefit Improvements

Strong returns boost SIP benefits again this year

The Plan's investment return for 2024 was positive: 9.33%. That means the sustainable income piece of your benefit will increase by 5.13% due to the next annual SIP adjustment on January 1, 2026. See "The Math" on page 2 for details about how the annual adjustment works.

Great news! Two benefit improvements

We are pleased to announce two important benefit improvements effective January 1, 2026:

1. Everyone will earn bigger benefits for each hour worked January 1, 2026 and later. Benefit accrual rate increases to 0.85% and applies to the total contribution rate.

2. Extra 15% SIP increase on January 1, 2026. All SIP benefits will receive the usual adjustment based on the Plan's investment return, plus an additional one-time 15% bump.

Higher Benefit Accruals Start January 1, 2026

Currently, there are two different accrual rates that apply to contributions based on when they were negotiated. Contributions based on rates negotiated through December 31, 2017 are multiplied by 0.60%.* Contributions based on rates negotiated on and after January 1, 2018 are multiplied by 0.80%. Then, the two pieces are added together to come up with the annual benefit accrual.

Starting January 1, 2026, there will be only one accrual rate—0.85%—that will apply to all contributions no matter when they were negotiated. This means significantly higher benefits for all.

Today		Starting Jan. 1, 2026
Contributions at the 0.60% accrual rate: Contributions X 0.60% + Contributions at the 0.80% accrual rate: Contributions X 0.80% = annual accrual	→	Total contribution rate: Contributions X 0.85% = annual accrual

For example: Let's say that an individual's contribution rate is $9.50 per hour ($4.00 negotiated before 2018 and $5.50 negotiated in 2018 or later), and that they work 1,800 hours every year. Here's how their annual accrual would improve from 2025 to 2026:

Contributions at the 0.60% accrual rate: $4.00 X 1800 X 0.60% + Contributions at the 0.8% accrual rate: $5.50 X 1800 X 0.80% = $122.40	→	Total contribution rate: $9.50 X 1800 X 0.85% = $145.35

**Previous "Funding Only" contributions earned 0.80% in 2024.*

Additional SIP Adjustment January 1, 2026

In addition to the annual SIP adjustment, there will be an additional one-time SIP adjustment on January 1, 2026. This extra "bump" is a 15% increase to each person's underlying SIP benefit to date—active members and retirees alike. We are able to make this extra adjustment because of overall good investment returns since the introduction of the SIP and prudent financial management by Trustees.

Example – Active Member:

To keep things simple, let's assume your underlying SIP benefit is $375.00 and you accrue $75.00 for hours worked in 2025, bringing your benefit up to $450.00. First, your SIP benefit will increase by 5.13% based on the Plan's 9.33% investment return for 2024 ($450.00 X 1.0513 = $473.09). Then, your benefit will increase again to $544.05 with the one-time 15% bump ($473.09 X 1.15 = $544.05).

Example – Retiree:

The extra 15% SIP bump will apply to retirees in the same way that it does to active members. However, it's important to remember that adjustments are made to underlying SIP benefits (not including any shore-up amounts). Because of the negative investment return in 2022, some retirees are still receiving shore-up payments. Underlying benefits will increase 15%, but retiree benefit checks will increase between 10% and 15% depending on the amount of shore-up they are currently receiving.

Let's say you are a retiree currently receiving $325 per month and $25 of that is a shore-up payment (plus, the portion of your benefit earned before 2018). It's the $300 ($325 - $25 = $300) that is adjusted. First, your SIP benefit will increase by 5.13% based on the Plan's 9.33% investment return for 2024 ($300.00 X 1.0513 = $315.39). Then, your benefit will increase again to $362.70 with the one-time 15% bump ($315.39 X 1.15 = $362.70). You will have a new high-water mark benefit.

The Math

Only the sustainable income benefits (earned on and after January 1, 2018) are adjusted based on the Plan's investment returns. The legacy portion of your benefit (earned through December 31, 2017) stays fixed. If you retired before January 1, 2018 your benefits remain unchanged.

The Plan has a hurdle rate of 4%. When the investment returns are greater than 4% benefits go up and when investment returns are less than 4% underlying benefits go down. The adjustment equals [(1 + investment return) ÷ (1 + 4%)] – 1. Increases are capped at 8% per year (excess returns go to the Plan's stabilization reserve).

To keep things simple, let's assume you were hired in 2023 and earned a $75.00 benefit each year through 2025, then $100.00 per year. Here's how the benefit would increase, using actual returns through 2024 and assuming the return in 2025 is 6%:

	Jan. 1, 2023	Jan. 1, 2024	Jan. 1, 2025	Jan. 1, 2026	Jan. 1, 2027
Starting Benefit	$0.00	$81.00	$134.27	$223.04	$360.33
	+	+	+	+	+
Accrual for Hours Worked Last Year	$75.00	$75.00	$75.00	$75.00	$100.00
	=	=	=	=	=
Total Before Adjustment	$75.00	$156.00	$209.27	$298.04	$460.33
Investment Return	14.12% (2021)	-10.49% (2022)	10.84% (2023)	9.33% (2024)	6.00% (est. 2025)
Annual adjustment	[(1 + 14.12%) ÷ (1 + 4%)] -1 = 9.73%, capped at 8.00%	[(1 – 10.49%) ÷ (1 + 4%)] -1 = -13.93%	[(1 + 10.84%) ÷ (1 + 4%)] -1 = 6.58%	[(1 + 9.33%) ÷ (1 + 4%)] -1 = 5.13%	[(1 + 6.00%) ÷ (1 + 4%)] -1 = 1.92%
	$75.00 X (1 + 0.08) = $81.00	$156.00 X (1-0.1393) = $134.27	$209.27 X (1 + 0.0658) = $223.04	$298.04 X (1 + 0.0513) = $313.33	$460.33 X (1 + 0.0192) = $469.17
Ad hoc SIP bump	0%	0%	0%	15% ($313.33 X 1.15 = $360.33)	0%
Total After Adjustments	$81.00	$134.27	$223.04	$360.33	$469.17
	+	+	+	+	+
Shore Up	$0.00	$21.73	$0.00	$0.00	$0.00
High Water Mark*	$81.00	$156.00	$223.04	$360.33	$469.17

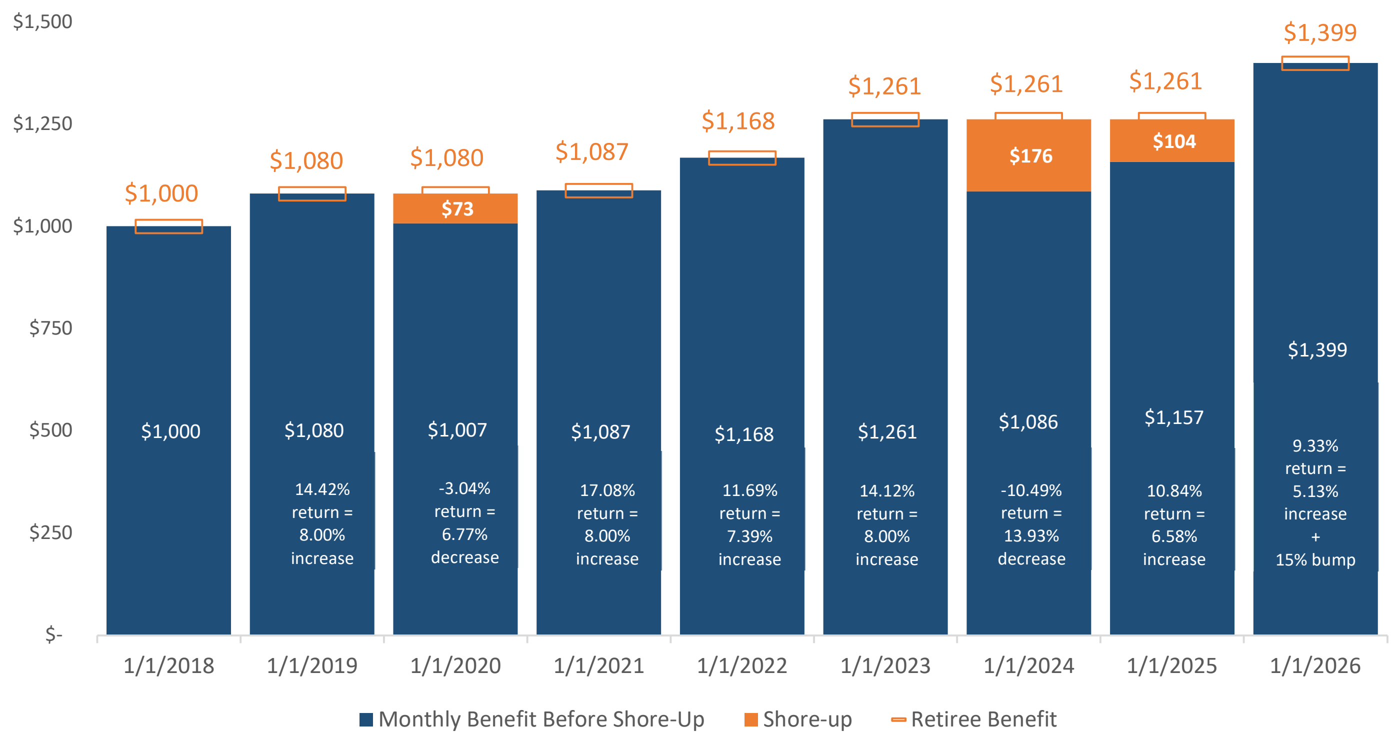
*Your high water mark benefit is the greater of: (1) your prior year high water mark, (2) your total benefit before adjustment, and (3) your total benefit after adjustment.

The examples in this letter use a flat accrual each year to highlight the effect of the annual benefit adjustment. It's important to keep in mind that some locals have increased pension contributions. This means benefits grow faster and future retirements will be larger. The more hours you work, the bigger your contribution would be.

How $1,000 Monthly Benefit Would Have Grown Since 2018

This example shows the compounded impact of all the sustainable income benefit adjustments to date. You can think of it as "what would have happened if a person could have retired at 1/1/2018 with a $1,000 SIP benefit?"

By 1/1/2023, that $1,000 would have grown to $1,261. Due to the negative adjustment at 1/1/2024, their underlying benefit would decrease from $1,261 to $1,086. However, they would have received a $176 shore-up to maintain their benefit at their high-water mark of $1,261 through 2024. The positive adjustment at 1/1/2025 would bring their underlying benefit up to $1,157. That's still below their high-water mark of $1,261 so they would receive a $104 shore-up to continue their benefit payments at the same level. As of 1/1/2026, they would have a new high-water mark of $1,399.



This Summary of Material Modification (SMM) is intended to satisfy the requirements for providing an SMM and modifies some of the information contained in the Summary Plan Description (SPD) for the Washington State Plumbing and Pipefitting Industry Pension Plan (the "Plan"). Please take the time to read this SMM and keep it with the SPD previously provided to you. Although we have made every effort to ensure this SMM is accurate, provisions of the official Plan documents will govern in the case of any discrepancy.