

*I.B.U. of the Pacific National Pension Plan*

# IMPORTANT INFORMATION ABOUT YOUR PENSION PLAN

May 31, 2018

**TO:** Participants, Beneficiaries, Alternate Payees, Contributing Employers,  
Inlandboatmen's Union of the Pacific, and OPEIU Local 8  
**FROM:** The Board of Trustees

Last October you were notified of the Critical Status of the Inlandboatmen's Union of the Pacific National Pension Plan (the "Pension Plan") under the Pension Protection Act of 2006 (PPA). With the Critical Status certification, the Board of Trustees is required under the PPA to adopt a "Rehabilitation Plan" to improve the funded status of the Pension Plan. This Notice is to inform you of the changes being made to the Pension Plan.

One of the most important issues which separates Union workers from most other workers is the retirement security gained during your union career. With defined benefit pension plans, like the Pension Plan, after a career as a union worker, you are afforded a lifetime benefit and retirement with dignity.

The PPA requires that certain actions be taken when a pension plan falls out of the safe zone also known as the green zone. The Plan was previously certified in critical status for the July 1, 2010 to June 30, 2011 Plan Year. The Board of Trustees adopted the 2011 Rehabilitation Plan on January 31, 2011 which consisted of a Default Schedule and a Preferred Schedule made up of benefit adjustments and/or Contribution increases to enable the Pension Plan to emerge from critical status. All of the bargaining parties adopted the Preferred Schedule on behalf of Active Participants. The Board of Trustees adopted the 2011 Rehabilitation Plan on behalf of Terminated Participants. The Pension Plan returned to the safe zone also known as the green zone on July 1, 2012 and remained in the green zone until July 1, 2017. However, the benefit and contribution changes made by the 2011 Rehabilitation Plan were not enough to keep the Pension Plan in the green zone.

It would be an understatement to say that the Board of Trustees is disappointed in having to make more changes to the Pension Plan. The 2018 Rehabilitation Plan is designed to return the Pension Plan to full funding and insure future security for generations to come. The Board of Trustees, made up of a combination of employer and union trustees, spent about eighteen months wrestling with the design of the 2018 Rehabilitation Plan. The Board of Trustees wanted to preserve as many of the benefits as possible while striking a balance with the additional contributions required. They worked on a design that would be fair to participants of all ages and that would avoid inadvertently encouraging workers

to retire before they were ready. The process the Board of Trustees went through was thorough and exhausting. They looked at many scenarios and feel the strategy which was adopted is the best design to restore the Pension Plan to full funding.

Please read this Notice carefully so you can understand the changes to the Pension Plan.

## INTRODUCTION

We notified you in October 2017 that the Pension Plan was certified as being in “critical status” also known as the “red zone” for the plan year beginning July 1, 2017 and that certain “adjustable benefits” could be reduced or eliminated as part of a rehabilitation plan the PPA requires the Board of Trustees to adopt.

This Notice provides information about benefit reductions made to the Pension Plan as a result of the 2018 Rehabilitation Plan adopted by the Board on May 16, 2018. Most of the benefit reductions are effective for retirements on or after January 1, 2019.

Except for the changes outlined in this Notice, all Pension Plan provisions remain the same. Please refer to your Summary Plan Description dated July 2017 or the Plan Document for the Pension Plan for more information about the rules regarding participation in the Pension Plan, benefits available from the Pension Plan and the claims and appeals procedures. Please keep this Notice with your Summary Plan Description.

## SUMMARY OF THE 2018 REHABILITATION PLAN AND PENSION PLAN CHANGES

The key provisions of the 2018 Rehabilitation Plan, which are described in more detail in this Notice, are summarized as follows:

- If you began receiving retirement benefits prior to the date of this Notice, the benefits you earned prior to your retirement are not affected by the 2018 Rehabilitation Plan. However, if you return to work, any accrued benefits you earn following your return to work will be affected by the 2018 Rehabilitation Plan.
- If you retire or your date of disability is found to be prior to January 1, 2019, you will receive retirement or disability benefits based on the Pension Plan in effect prior to the 2018 Rehabilitation Plan, except for changes described in the sections ACCRUED BENEFIT DURING THE JULY 1, 2018 TO JUNE 30, 2019 PLAN YEAR and REDUCTION OF DEATH BENEFITS beginning on page 9.
- If you retire or become disabled on or after January 1, 2019, your retirement or disability benefits will be based on the Pension Plan as changed by the 2018 Rehabilitation Plan.

- Regardless of when you retire, the 2018 Rehabilitation Plan protects the amount of your retirement benefit that is payable at your Normal Retirement Age.
- The 2018 Rehabilitation Plan includes two Schedules, a Default Schedule and a Preferred Schedule. The Board of Trustees will send the 2018 Rehabilitation Plan and Schedules to the Unions and Employers who contribute to the Pension Trust (the bargaining parties). The bargaining parties, through collective bargaining, will adopt either the Default Schedule or Preferred Schedule on behalf of “Active Participants” (this term is defined in the DEFINED TERMS USED IN THIS NOTICE beginning on page 5) when each collective bargaining agreement is up for renewal or, at the election of the bargaining parties, an earlier date. If the bargaining parties do not adopt one of the Schedules, the Default Schedule will be imposed on the bargaining parties 180 days after the collective bargaining agreement expires as required by the PPA. If the collective bargaining agreement originally expired between September 28, 2017 and May 31, 2018, the bargaining parties have 180 days from receipt of the Rehabilitation Plan to adopt a Schedule or the Default Schedule will be imposed as required by the PPA. The Board of Trustees has adopted the Rehabilitation Plan on behalf of “Terminated Participants” (this term is defined in the DEFINED TERMS USED IN THIS NOTICE beginning on page 5).
- Employees whose first contribution to the Pension Trust is based on hours worked on or after July 1, 2018, will become participants in the Pension Plan and begin to earn an accrued benefit 12 months after their first Contributory Hour.
- No benefits will be earned during the July 1, 2018 through June 30, 2019 Plan Year, unless the bargaining parties adopt the Default Schedule. Then from the month the Default Schedule is adopted through June 30, 2019, the accrued benefit formula (also known as the benefit multiplier) will be 1% of contributions.
- The Default Schedule requires an increase in Employer pension contributions to the Pension Trust. The Default Schedule reduces the accrued benefit formula (benefit multiplier) to 1% of contributions earned after June 30, 2018, requires 1,000 Contributory Hours to earn a year of Future Credited Service, Future Benefit Service and benefit accruals, reduces early retirement benefits for accrued benefits earned after June 30,

2018, eliminates disability benefits and reduces the pre-retirement death benefits for Active Participants.

- The Preferred Schedule requires an increase in Employer pension contributions to the Pension Trust. The Preferred Schedule does not change the accrued benefit formula (benefit multiplier) but only 70% of the pension contributions will be applied to the accrued benefit formula, reduces the early retirement benefits for Active Participants who retire prior to age 62 and who have not met the “Rule of 85 Requirements” (this term is defined in the **DEFINED TERMS USED IN THIS NOTICE** section beginning on page 5), reduces disability benefits and pre-retirement death benefits for Active Participants.
- The Normal Form of payment for Terminated Participants has changed and certain optional payment forms are eliminated.
- The Plan’s actuarial equivalence has been updated. Actuarial equivalence is a set of assumptions used to adjust benefits for late retirement and to convert the Normal Form of payment to optional payment forms at retirement.

#### DEFINED TERMS USED IN THIS NOTICE

The following are defined terms that are used throughout this Notice:

**Contributory Hours** are hours for which Employer contributions are paid or required to be paid to the Pension Trust on your behalf pursuant to the terms of a collective bargaining agreement or joinder agreement or hours for which contributions are transferred to the Pension Plan from the Southwest Marine Pension Trust under the Pension Contribution Reciprocity Transfer Agreement.

You are an **Active Participant** under the Preferred Schedule if the majority of your Contributory Hours earned after June 30, 2018 were under the Preferred Schedule and you have 240 or more Contributory Hours to the Pension Trust in the Plan Year (July 1 to June 30) of your retirement or in the preceding Plan Year.

**EXAMPLE.** If the majority of your Contributory Hours earned after June 30, 2018 were under the Preferred Schedule and you had 500 or more Contributory Hours in the July 1, 2018 to June 30, 2019 Plan Year and 160 Contributory Hours in July 2019 and you terminate employment and retire on August 1, 2019, you are an Active Participant because you had more than 240 Contributory Hours in the Plan Year prior to your retirement.

You are an **Active Participant** under the Default Schedule if the majority of your Contributory Hours earned after June 30, 2018 were under the Default Schedule and you have 1,000 or more Contributory Hours to the Pension Trust in the Plan Year (July 1 to June 30) of your retirement or in the preceding Plan Year.

**EXAMPLE.** If the majority of your Contributory Hours earned after June 30, 2018 were under the Default Schedule and you had 200 or more Contributory Hours in the July 1, 2018 to June 30, 2019 Plan Year and 1,050 Contributory Hours from July 1, 2019 through December 31, 2019 and you terminate employment and retire on January 1, 2020, you are an Active Participant because you had more than 1,000 Contributory Hours in the Plan Year of your retirement.

**Current Pension Plan** means the terms and conditions of the Pension Plan as they existed prior to the adoption of the 2018 Rehabilitation Plan (May 16, 2018) except as modified by the REDUCTION OF DEATH BENEFITS beginning on page 9.

The **Normal Retirement Age** for the benefit you earned under the Pension Plan, Inland Waters Pension Plan and Columbia River Pension Plan is age 65. The Normal Retirement Age for the benefit you earned under the Ferry Concessions Pension Plan is age 62.

You are a **Terminated Participant** if you are not an Active Participant as of your retirement date.

**EXAMPLE.** If the majority of your Contributory Hours earned after June 30, 2018 were under the Preferred Schedule and you had 100 Contributory Hours in the July 1, 2018 to June 30, 2019 Plan Year and 160 Contributory Hours from July 1, 2019 through August 31, 2019 and you terminate employment and retire on September 1, 2019, you are a Terminated Participant because you did not have 240 Contributory Hours for the July 1, 2018 to June 30, 2019 or the July 1, 2019 to June 30, 2020 Plan Year.

**Rule of 85 Requirements** means a Participant who, as of June 30, 2011, met the following criteria:

- Is age 55 or older but has not yet reached age 65;
- Is not a Terminated Participant;

- Had 240 or more Contributory Hours earned under the Pension Trust in the July 1, 2010, to June 30, 2011 Plan Year; and
- His or her age plus years of service (defined below) equal or exceed 85.

In order to qualify for the Rule of 85 Benefit, in addition to meeting the four criteria above, from June 30, 2018, until retirement, the majority of your Contributory Hours must have accrued under collective bargaining agreements or joinder agreements that adopted the 2018 Rehabilitation Plan Preferred Schedule.

Years of service for the Rule of 85 Requirements means years or partial years of Future Credited Service that a Participant earns under this Plan, the Columbia River Retirement Plan, the Inland Waters Pension Plan, and/or the Ferry Concessions Pension Plan (IBU credited service) that has not been permanently forfeited due to a break in service (permanent break in service). If a Participant has 20 or more years of IBU credited service without a permanent break in service as of June 30, 2011, he or she may also count years or partial years of future credited service earned under the Northwest Marine Pension Plan, Southwest Marine Pension Plan, Alaska Longshore Pension Plan, Washington State Ferries Pension Plan, Crown Zellerbach Plan, and Individual Retirement Annuity Plan, provided the future credited service has not been permanently forfeited due to a break in service.

#### CURRENT RETIREES, BENEFICIARIES AND ALTERNATE PAYEES ARE NOT AFFECTED BY THE 2018 REHABILITATION PLAN

If you began receiving retirement, disability or death benefits prior to October 25, 2017, your benefits are not affected by the 2018 Rehabilitation Plan. However, if you return to work, any accrued benefits you earn following your return to work will be affected by the 2018 Rehabilitation Plan.

#### PARTICIPANTS AND ALTERNATE PAYEES WHO RETIRE OR YOUR DATE OF DISABILITY IS FOUND TO BE PRIOR TO JANUARY 1, 2019 WILL RECEIVE CURRENT PENSION PLAN BENEFITS

If you retire or your date of disability is found to be prior to January 1, 2019, you will receive retirement or disability benefits based on the Current Pension Plan.

In order to retire prior to January 1, 2019 and receive retirement benefits based on the Current Pension Plan, you must meet the following criteria:

- The Plan Administrator (BeneSys, Inc.) must receive your completed pension application with all supporting documents except the benefit selection form prior to January 1, 2019;
- Your retirement date must be prior to January 1, 2019;
- You must have retired (terminated employment with all Employers that contribute to the Pension Trust and all Employers in Alaska, Washington, Oregon, California and Hawaii who are in the same industry as any Employer who contributes to the Pension Trust) prior to January 1, 2019; and
- You must meet any other criteria in the Pension Plan and its rules and procedures necessary to begin the receipt of pension benefits prior to January 1, 2019 except the completed benefit selection form.

In order to be eligible for a disability benefit prior to January 1, 2019 and receive disability benefits based on the Current Pension Plan, your date of disability must be found to be a date prior to January 1, 2019, and you must meet the eligibility requirements for disability as described on page 26, paragraph 27 of the July 2017 Summary Plan Description.

### PLAN PARTICIPATION

When you are eligible to participate in the Pension Plan is changed by the 2018 Rehabilitation Plan starting July 1, 2018. Before the change, you would have been eligible to participate on the first day of the month following the later of the date your Employer began paying or was required to pay Employer contributions to the Pension Trust on your behalf, or if you are a Union employee, the date the Union was required to make contributions to the Pension Trust on your behalf.

Plan participation is changed by the 2018 Rehabilitation Plan for employees whose first contribution to the Pension Trust is based on hours worked on or after July 1, 2018. New employees will be eligible to participate in the Pension Plan on the first day of the month coinciding with or next following 12 months after your Employer began paying or was required to pay contributions to the Pension Trust on your behalf. You will not earn an accrued benefit during these first 12 months, but you will earn one year of Future Credited Service and Future Benefit Service if you work the minimum required hours under the Schedule your Employer adopts.

## ACCRUED BENEFIT DURING THE JULY 1, 2018 TO JUNE 30, 2019 PLAN YEAR

Your accrued benefit formula (benefit multiplier) is 0% for contributions earned during the July 1, 2018 to June 30, 2019 Plan Year. However, if your Employer adopts the Default Schedule during the Plan Year, your accrued benefit formula will be 1% of contributions starting the first of the month the Employer adopts the Default Schedule.

## REDUCTION OF DEATH BENEFITS

The pre-retirement surviving spouse death benefit described on page 28, paragraph 31 of the July 2017 Summary Plan Description is reduced if you are an Active Participant and die after June 30, 2018. Before the change, if you were vested and married and died before retirement, your spouse would receive a surviving spouse death benefit for the remainder of his/her life equal to 50% of the accrued benefit you earned as of the date of your death or your spouse could elect to receive an actuarially equivalent annuity payable for 120 months.

The pre-retirement surviving spouse death benefit if you are an Active Participant has been reduced by the 2018 Rehabilitation Plan so that the death benefit is equal to the amount that would have been paid to your surviving spouse if you had retired with a 50% joint and survivor annuity on the day before death or, if you died before attaining the earliest retirement age, the pension benefit is payable at the time you would have reached your earliest retirement age. The benefit is payable on the later of the first of the month following your earliest retirement age or the first day of the calendar month of your death.

The actuarial equivalent optional 120 month annuity has been eliminated for Active and Terminated Participants.

**EXAMPLE 1.** An Active Participant under the Preferred Schedule dies on January 15, 2019 at the age of 48 with an accrued benefit of \$1,000 per month. The Participant was born on January 15, 1971 and earned 15 years of Credited Service prior to his death. His spouse is the same age.

Prior to the change in the death benefit, the surviving spouse would have received a monthly benefit \$500.00 (50% of the Participant's accrued benefit of \$1,000 per month) for the remainder of her life beginning January 1, 2019.

After the change in the death benefit, the surviving spouse would receive a monthly benefit of \$178.50 for the remainder of her life beginning February 1, 2026, the first day of the month following the Participant's earliest retirement age (age 55). The accrued benefit is reduced for early retirement and actuarially adjusted to a benefit payable as a 50% joint and survivor annuity. The surviving

spouse is entitled to the surviving spouse portion of the 50% joint and survivor annuity.

**EXAMPLE 2.** An Active Participant under the Default Schedule dies on February 28, 2019 at the age of 62 with an accrued benefit of \$500 per month. The Participant was born on February 28, 1957 and earned 5 years of Credited Service prior to his death. His spouse is the same age.

Prior to the change in the death benefit, the surviving spouse would have received a monthly benefit \$250.00 (50% of the Participant's accrued benefit of \$500) for the remainder of her life beginning February 1, 2019.

After the change in the death benefit, the surviving spouse would receive a monthly benefit of \$230.00 for the remainder of her life beginning March 1, 2022, the first day of the month following the Active Participant's Normal Retirement Date (the Participant was not eligible for early retirement because he did not have 10 years of Credited Service). The accrued benefit is actuarially adjusted to a benefit payable as a 50% joint and survivor annuity. The surviving spouse is entitled to the surviving spouse portion of the 50% joint and survivor annuity.

#### UPDATED ACTUARIAL EQUIVALENCE

The interest rate and mortality tables used to determine late retirement and optional forms of retirement benefits have been updated. This may result in higher or lower benefits than under the current assumptions, except that the factors applied to accrued benefits through December 31, 2018 for Active Participants who retire under the Default Schedule are preserved, so that the updated factors cannot reduce the benefit below what the amount would have been using the prior factors.

#### BENEFITS FOR TERMINATED PARTICIPANTS

Your accrued benefit is a monthly benefit payable in the Normal Form at your Normal Retirement Date. The Normal Form of payment described on page 18, paragraph 21 of the July 2017 Summary Plan Description is changing for all Terminated Participants. Before the change, the Normal Form of payment was a monthly benefit payable as a 60-month certain and life annuity. This is an annuity payable for your life with 60 monthly payments guaranteed to be paid to you or, if you die prior to receiving 60 monthly payments, to your designated beneficiary until a total of 60 payments have been made between you and your beneficiary.

The Normal Form of payment has been changed to a Single Life Annuity. This payment form pays a monthly annuity for your life. If you die, no benefits are paid to any designated beneficiary.

If you retire early as a Terminated Participant, you will receive an unsubsidized early retirement benefit as described on page 14, paragraph 19 of the July 2017 Summary Plan Description.

The optional lump sum payment form described on page 19, paragraph 22 of the July 2017 Summary Plan Description has been eliminated effective November 1, 2017. This option applied only if the actuarial present value of your retirement benefit was greater than \$5,000 and less than \$10,000.

The Social Security Adjustment Options available to Participants who retire prior to age 62 with an accrued benefit under the Ferry Concessions Pension Plan have been eliminated effective November 1, 2017.

If you die as a Terminated Participant prior to retirement, your surviving spouse will receive the death benefits described on page 28, paragraph 31(b) and 31(c) of the July 2017 Summary Plan Description. The actuarial equivalent optional benefit payable for 120 months has been eliminated effective November 1, 2017.

#### **BENEFIT REDUCTIONS UNDER THE DEFAULT SCHEDULE**

The changes described below apply if you retire as an Active Participant or your date of disability is found to be on or after January 1, 2019 and work exclusively for an Employer that has adopted the Default Schedule or had the Default Schedule imposed by the PPA. These changes are in addition to the changes previously described in the sections **PLAN PARTICIPATION, ACCRUED BENEFIT DURING THE JULY 1, 2018 TO JUNE 30, 2019 PLAN YEAR** and **REDUCTION OF DEATH BENEFITS**. See the **Work Under Different Schedules** section on page 16, if you work for an Employer that adopted the Default Schedule and another Employer that adopted the Preferred Schedule.

#### **Hours Required to Earn Credited Service Under the Default Schedule**

For each Plan Year after June 30, 2018, you must earn at least 1,000 Contributory Hours in a Plan Year to earn one year of Future Credited Service and one year of Future Benefit Service. Prior to July 1, 2018, you must have earned at least 240 Contributory Hours in a Plan Year to earn one year of Future Credited Service and one year of Future Benefit Service.

#### **Reduced Accrued Benefit Formula (Benefit Multiplier) Under the Default Schedule**

The Pension Plan's monthly retirement benefit is based on the amount of Employer contributions paid or required to be paid to the Pension Trust on your behalf,

excluding any surcharge or supplemental contributions the Employer is required to pay to the Pension Trust under the PPA and the 2011 and 2018 Rehabilitation Plans. Beginning with the month your Employer adopts the Default Schedule, the accrued benefit formula (benefit multiplier) will be 1% of contributions regardless of your years of service.

A comparison of the accrued benefit formula (benefit multiplier) under the Pension Plan prior to the 2018 Rehabilitation Plan and under the Default Schedule after June 30, 2018 is as follows:

<b>Prior to Default Schedule</b>	
<u>Service</u>	<u>Benefit Multiplier</u>
1-9 years	1.40%
10-19 years	1.55%
20+ years	1.70%

<b>Default Schedule</b>	
<u>Service</u>	<u>Benefit Multiplier</u>
1-9 years	1.00%
10-19 years	1.00%
20+ years	1.00%

The Default Schedule requires Employers to make additional contributions (known as supplemental contributions) to the Pension Trust to improve its funded status. The additional supplemental contributions required by the 2018 Rehabilitation Plan Default Schedule are not taken into account when determining your accrued benefit.

Your accrued benefit earned through December 31, 2018 is a monthly benefit payable in the Normal Form at your Normal Retirement Date. The Normal Form of payment described on page 18, paragraph 21 of the July 2017 Summary Plan Description is changing for all Active Participants under the 2018 Default Schedule.

The Normal Form of payment on your accrued benefit earned through December 31, 2018 is a monthly benefit payable as a 60-month certain and life annuity. This is an annuity payable for your life with 60 monthly payments guaranteed to be paid to you or, if you die prior to receiving 60 monthly payments, to your designated beneficiary until a total of 60 payments have been made between you and your beneficiary.

The Normal Form of payment on your accrued benefit earned after December 31, 2018 is a Single Life Annuity. This payment form pays a monthly annuity for your life. If you die, no benefits are paid to any designated beneficiary.

### EXAMPLE

Assume a Participant earned 25 years of service under the Pension Plan prior to July 1, 2018. The bargaining parties covering the Participant adopt the Default Schedule on January 1, 2019.

The accrued benefit as of June 30, 2023 if the Default Schedule of benefit reductions had not been applied would have been \$2,729.50 as calculated below:

PLAN YEAR	CONTRIBUTORY HOURS	TOTAL FUTURE BENEFIT SERVICE	ANNUAL EMPLOYER CONTRIBUTION	BENEFIT MULTIPLIER	BASIC MONTHLY PENSION EARNED	CUMULATIVE PENSION EARNED
Thru 2017-18		25				\$2,500.00
2018-19	1,000	26	\$2,700	1.70%	\$45.90	\$2,545.90
2019-20	1,000	27	\$2,700	1.70%	\$45.90	\$2,591.80
2020-21	1,000	28	\$2,700	1.70%	\$45.90	\$2,637.70
2021-22	1,000	29	\$2,700	1.70%	\$45.90	\$2,683.60
2022-23	1,000	30	\$2,700	1.70%	\$45.90	\$2,729.50

The accrued benefit as of June 30, 2023 assuming the Default Schedule of benefit reductions had been applied on January 1, 2019, would have been \$2,621.50 as calculated below:

PLAN YEAR	CONTRIBUTORY HOURS	TOTAL FUTURE BENEFIT SERVICE	ANNUAL EMPLOYER CONTRIBUTION	BENEFIT MULTIPLIER	BASIC MONTHLY PENSION EARNED	CUMULATIVE PENSION EARNED
Thru 2017-18		25				\$2,500.00
7/1/18-12/31/18	500	26	\$1,350	0.00%*	\$ 0.00	\$2,500.00
1/1/19-6/30/19	500	26	\$1,350	1.00%	\$13.50	\$2,513.50
2019-20	1,000	27	\$2,700	1.00%	\$27.00	\$2,540.50
2020-21	1,000	28	\$2,700	1.00%	\$27.00	\$2,567.50
2021-22	1,000	29	\$2,700	1.00%	\$27.00	\$2,594.50
2022-23	1,000	30	\$2,700	1.00%	\$27.00	\$2,621.50

\* The benefit multiplier is zero during the July 1, 2018 to June 30, 2019 Plan Year before the bargaining parties adopt the Default Schedule on January 1, 2019.

## **Optional Payment Forms Under the Default Schedule**

The optional Lump Sum benefit described on page 19, paragraph 22 of the July 2017 Summary Plan Description is eliminated on your accrued benefit earned after June 30, 2018.

### **Reduction to the Early Retirement Benefit if You are an Active Participant, Retire on or After January 1, 2019 and Elect to Start Retirement Benefits Prior to Your Normal Retirement Date**

There will be a greater reduction on your accrued benefit earned after June 30, 2018 if you begin receiving your pension benefit before your Normal Retirement Age. Prior to the adoption of the 2018 Rehabilitation Plan, if you were not eligible for the Rule of 85 Benefit, the Pension Plan generally provided an unreduced pension benefit at age 65 with a 3% per year reduction between age 62 and 65 and a 5% per year reduction prior to age 62. See page 16, paragraph 19C of the July 2017 Summary Plan Description. Under the 2018 Default Schedule, if you are an Active Participant and are eligible for and elect early retirement, your early retirement benefit will be the sum of a) and b) below:

- a) Your accrued benefit earned through June 30, 2018, reduced 3% per year between age 62 and 65 and a 5% per year reduction prior to age 62. If you met the Rule of 85 Requirements (this term is defined in the **DEFINED TERMS USED IN THIS NOTICE** on page 5), your accrued benefit earned through June 30, 2018 will be unreduced from age 62 and 65 and reduced 3% per year prior to age 62.
- b) Your accrued benefit earned after June 30, 2018, is actuarially reduced prior to age 65 (unsubsidized early retirement benefit).

The following table compares how the monthly early retirement benefit in effect prior to the 2018 Rehabilitation Plan compares with the early retirement benefit payable to an Active Participant who is eligible for early retirement and retires under the Default Schedule on or after January 1, 2019. In this example, it is assumed that the Active Participant's benefit is \$2,000 per month payable on his Normal Retirement Age, \$1,000 of which was earned through June 30, 2018 and \$1,000 of which was earned after June 30, 2018.

AGE AT RETIREMENT	EARLY RETIREMENT BENEFIT PRIOR TO 2018 REHABILITATION PLAN CHANGES	EARLY RETIREMENT BENEFIT UNDER THE DEFAULT SCHEDULE FOR RETIREMENTS AFTER JANUARY 1, 2019 FOR ACTIVE PARTICIPANTS
65	\$2,000.00	\$2,000.00
64	1,940.00	1,870.00
63	1,880.00	1,751.80
62	1,820.00	1,643.80
61	1,720.00	1,524.50
60	1,620.00	1,412.90
59	1,520.00	1,307.80
58	1,420.00	1,208.60
57	1,320.00	1,114.50
56	1,220.00	1,024.80
55	1,120.00	939.10

This table assumes the early retiree earned all of his or her retirement benefit under the Pension Plan. If an Active Participant had earned a portion of his or her retirement benefit under the Columbia River Pension Plan, Inland Waters Pension Plan or Ferry Concessions Pension Plan, the early retirement benefit on that portion is not changed by the 2018 Rehabilitation Plan.

### **Elimination of Disability Benefits if You Become Disabled on or After January 1, 2019**

If your date of disability is found to be on or after January 1, 2019, you will not receive any disability benefits from the Plan.

### **BENEFIT REDUCTIONS UNDER THE PREFERRED SCHEDULE**

The changes described below apply to you if you retire as an Active Employee or your date of disability is found to be on or after January 1, 2019 and you work exclusively for an Employer that adopted the Preferred Schedule. These changes are in addition to the changes previously described in the sections **PLAN PARTICIPATION, ACCRUED BENEFIT DURING THE JULY 1, 2018 TO JUNE 30, 2019 PLAN YEAR** and **REDUCTION OF DEATH BENEFITS**. See the **Work Under Different Schedules** section on page 21, if you work for an Employer that adopted the Default Schedule and another Employer that adopted the Preferred Schedule.

### **No Change to the Accrued Benefit Formula**

The Pension Plan's monthly retirement benefit is based on the amount of Employer contributions paid or required to be paid to the Pension Trust on your behalf,

excluding any surcharge or supplemental contributions the Employer is required to pay to the Pension Trust under the PPA and the 2011 and 2018 Rehabilitation Plans. Unlike the Default Schedule, there is no change to the accrued benefit formula (benefit multiplier) which remains as follows:

<u>Service</u>	<u>Benefit Multiplier</u>
1-9 years	1.40%
10-19 years	1.55%
20+ years	1.70%

However, 30% of the contributions that previously applied to the benefit multiplier will not be taken into account when determining your accrued benefit (this is known as reallocation).

As noted under the section **ACCRUED BENEFIT DURING THE JULY 1, 2018 TO JUNE 30, 2019 PLAN YEAR**, your accrued benefit earned during this Plan Year will be zero.

The Preferred Schedule requires Employers to make additional contributions (known as supplemental contributions) to the Pension Trust to improve its funded status. The supplemental contributions required by the 2018 Rehabilitation Plan Preferred Schedule are not taken into account when determining your accrued benefit.

Your accrued benefit is a monthly benefit payable in the Normal Form at your Normal Retirement Date. The Normal Form of payment described on page 18, paragraph 21 of the July 2017 Summary Plan Description is changing for all Active Participants under the Preferred Schedule who retire after December 31, 2018. Prior to the 2018 Rehabilitation Plan, the Normal Form of payment was a monthly benefit payable as a 60-month certain and life annuity. This is an annuity payable for your life with 60 monthly payments guaranteed to be paid to you or, if you die prior to receiving 60 monthly payments, to your designated beneficiary until a total of 60 payments have been made between you and your beneficiary. The Normal Form of payment for your total accrued benefit is changing to a Single Life Annuity. This payment form pays a monthly annuity for your life. If you die, no benefits are paid to any designated beneficiary.

## EXAMPLE

Assume a Participant earned 25 years of service under the Pension Plan prior to July 1, 2018. The bargaining parties covering the Participant adopt the Preferred Schedule on January 1, 2019.

The accrued benefit as of June 30, 2023 if the Preferred Schedule of benefit reductions had not been applied would have been \$2,729.50 as calculated below:

PLAN YEAR	CONTRIBUTORY HOURS	TOTAL FUTURE BENEFIT SERVICE	ANNUAL EMPLOYER CONTRIBUTION	BENEFIT MULTIPLIER	BASIC MONTHLY PENSION EARNED	CUMULATIVE PENSION EARNED
Thru 2017-18		25				\$2,500.00
2018-19	1,000	26	\$2,700	1.70%	\$45.90	\$2,545.90
2019-20	1,000	27	\$2,700	1.70%	\$45.90	\$2,591.80
2020-21	1,000	28	\$2,700	1.70%	\$45.90	\$2,637.70
2021-22	1,000	29	\$2,700	1.70%	\$45.90	\$2,683.60
2022-23	1,000	30	\$2,700	1.70%	\$45.90	\$2,729.50

The accrued benefit as of June 30, 2023 assuming the Preferred Schedule of benefit reductions had been applied on January 1, 2019 would have been \$2,628.52 as calculated below:

PLAN YEAR	CONTRIBUTORY HOURS	TOTAL FUTURE BENEFIT SERVICE	ANNUAL EMPLOYER CONTRIBUTION	BENEFIT MULTIPLIER	BASIC MONTHLY PENSION EARNED	CUMULATIVE PENSION EARNED
Thru 2017-18		25				\$2,500.00
7/1/18-12/31/18	500	26	\$1,350	0.00%*	\$ 0.00	\$2,500.00
1/1/19-6/30/19	500	26	\$ 945**	0.00%*	\$ 0.00	\$2,500.00
2019-20	1,000	27	\$1,890**	1.70%	\$32.13	\$2,532.13
2020-21	1,000	28	\$1,890**	1.70%	\$32.13	\$2,564.26
2021-22	1,000	29	\$1,890**	1.70%	\$32.13	\$2,596.39
2022-23	1,000	30	\$1,890**	1.70%	\$32.13	\$2,628.52

\* The benefit multiplier is zero during the July 1, 2018 to June 30, 2019 Plan Year.

\*\* 30% of the annual employer contribution of \$2,700 will not be taken into account in your accrued benefit.

## Optional Payment Forms Under the Preferred Schedule

The optional Lump Sum benefit described on page 19, paragraph 22 of the July 2017 Summary Plan Description is eliminated effective November 1, 2017. In addition, the Social Security Adjustment Options are eliminated effective November 1, 2017, if you earned an accrued benefit under the Ferry Concessions Pension Plan and you retire prior to age 62.

### Reduction to the Early Retirement Benefit if You are an Active Participant, Retire on or After January 1, 2019 and Elect to Start Retirement Benefits Prior to Your Normal Retirement Date and Do Not Meet the Rule of 85 Requirements

If you retire before your Normal Retirement Age and do not meet the Rule of 85 Requirements, there will be a greater reduction on your accrued benefit. Prior to the adoption of the 2018 Rehabilitation Plan, if you were not eligible for the Rule of 85 Benefit, the Pension Plan generally provided an unreduced pension benefit at age 65 with a 3% per year reduction between age 62 and 65 and a 5% per year reduction prior to age 62. See page 16, paragraph 19C of the July 2017 Summary Plan Description. Under the 2018 Preferred Schedule, if you are an Active Participant and are eligible for and elect early retirement, but do not meet the Rule of 85 Requirements, your early retirement benefit will be reduced 3% per year between age 62 and 65 and actuarially reduced prior to age 62 (unsubsidized early retirement benefit).

The following table compares how the monthly early retirement benefit in effect prior to the 2018 Rehabilitation Plan, for an Active Participant who does not meet the Rule of 85 Requirements, compares with the early retirement benefit payable to an Active Participant who is eligible for early retirement and retires under the Preferred Schedule on or after January 1, 2019. In this example, it is assumed that the Active Participant's benefit is \$1,000 per month payable at his or her Normal Retirement Date.

AGE AT RETIREMENT	EARLY RETIREMENT BENEFIT PRIOR TO 2018 REHABILITATION PLAN CHANGES	EARLY RETIREMENT BENEFIT UNDER THE PREFERRED SCHEDULE FOR RETIREMENTS ON OR AFTER JANUARY 1, 2019 FOR ACTIVE PARTICIPANTS
65	\$1,000.00	\$1,000.00
64	970.00	970.00
63	940.00	940.00
62	910.00	910.00
61	860.00	664.50
60	810.00	602.90
59	760.00	547.80
58	710.00	498.60
57	660.00	454.50

AGE AT RETIREMENT	EARLY RETIREMENT BENEFIT PRIOR TO 2018 REHABILITATION PLAN CHANGES	EARLY RETIREMENT BENEFIT UNDER THE PREFERRED SCHEDULE FOR RETIREMENTS ON OR AFTER JANUARY 1, 2019 FOR ACTIVE PARTICIPANTS
56	610.00	414.80
55	560.00	379.10

The table assumes the early retiree earned all of his or her retirement benefit under the Pension Plan, the Columbia River Pension Plan or the Inland Waters Pension Plan. If an Active Participant had earned a portion of his or her retirement benefit under the Ferry Concessions Pension Plan, the Ferry Concessions portion of the retirement benefit would be unreduced at age 62 and actuarially reduced prior to age 62 (unsubsidized early retirement benefit).

### **Retention of the Current Early Retirement Benefit if You are an Active Participant and Meet the Rule of 85 Requirements**

If you are an Active Participant under the Preferred Schedule and meet the Rule of 85 Requirements, you will be eligible to receive the early retirement benefit which was in effect prior to the adoption of the 2018 Rehabilitation Plan. See page 15, paragraph 19B of the July 2017 Summary Plan Description for a description of the benefit. This means that if you are an Active Participant who meets the Rule of 85 Requirements, you can retire at age 62 or older and receive your accrued benefit without a reduction due to retirement before reaching age 65. If you retire before age 62, your pension benefit is reduced by 3% per year from age 62. This benefit is only available under the Preferred Schedule.

### **Reduction to the Disability Benefit if You become Disabled on or After January 1, 2019**

If you are an Active Participant under the Preferred Schedule and your date of disability is found to be on or after January 1, 2019 and you meet the eligibility requirements for a disability benefit as described on page 26, paragraph 27 of the 2017 Summary Plan Description, you will receive a reduced disability benefit. Prior to the 2018 Rehabilitation Plan, the disability benefit was equal to your accrued benefit as of the date of your termination of employment due to disability. This benefit was payable until you retired, recovered from disability or died prior to retirement. At retirement, you were eligible to receive a retirement benefit and choose an optional form of payment. If you died prior to retirement, your surviving spouse would have received a pre-retirement death benefit.

Under the 2018 Preferred Schedule, the disability benefit will be equal to your accrued benefit, actuarially reduced prior to age 65 (unsubsidized early retirement

benefit). If you become disabled prior to age 55, the disability benefit will not be less than the amount payable as if you were age 55. You will be able to choose an optional form of payment when you start your disability payments. Your disability benefit amount will not change after your disability benefit starts and any death benefits will be based on the form of payment you chose when your disability benefit started.

The following table compares how the monthly disability benefit amount prior to the 2018 Rehabilitation Plan compares with the disability benefit payable to an Active Participant who becomes eligible for a disability benefit under the Preferred Schedule on or after January 1, 2019. In this example, it is assumed that the Active Participant's benefit is \$1,000 per month payable at his or her Normal Retirement Age. The amounts below are based on the Normal Form of payment (Single Life Annuity).

<b>AGE AT RETIREMENT</b>	<b>DISABILITY BENEFIT PRIOR TO 2018 REHABILITATION PLAN CHANGES</b>	<b>DISABILITY BENEFIT UNDER THE PREFERRED SCHEDULE FOR DISABILITIES AFTER JANUARY 1, 2019 FOR ACTIVE PARTICIPANTS</b>
65	\$1,000.00	\$1,000.00
64	1,000.00	900.00
63	1,000.00	811.80
62	1,000.00	733.80
61	1,000.00	664.50
60	1,000.00	602.90
59	1,000.00	547.80
58	1,000.00	498.60
57	1,000.00	454.50
56	1,000.00	414.80
55	1,000.00	379.10

**RULES APPLICABLE TO THE DEFAULT SCHEDULE AND THE PREFERRED SCHEDULE**

**Work Under Different Schedules**

If you change Employers and, as a result, become covered under a different Schedule (for example, your first Employer has adopted the Preferred Schedule and your second Employer has adopted the Default Schedule), your accrued benefit formula (the benefit multiplier) for work performed after June 30, 2018 is determined by the Schedule in which the pension contributions were earned, except as modified by the section ACCRUED BENEFIT DURING THE JULY 1, 2018 TO JUNE 30, 2019 PLAN YEAR beginning on page 9.

If you work for an Employer that has adopted the Preferred Schedule and another Employer that has adopted the Default Schedule in the same Plan Year, all Contributory

Hours (adding Contributory Hours under both Schedules together) will be used to determine Future Credited Service and Future Benefit Service for that Plan Year.

**EXAMPLE 1.** If you worked 300 Contributory Hours for an Employer that adopted the Preferred Schedule and 600 Contributory Hours for an Employer that adopted the Default Schedule during the July 1, 2019 through June 30, 2020 Plan Year,

- You will earn one year of Future Credited Service for vesting purposes because you worked more than 240 Contributory Hours in the Plan Year.
- You will earn an accrued benefit under the Preferred Schedule based on the 300 Contributory Hours because you worked more than 240 Contributory Hours in the Plan Year.
- You will not earn an accrued benefit under the Default Schedule based on the 600 Contributory Hours because you worked less than 1,000 Contributory Hours in the Plan Year.

**EXAMPLE 2.** If you worked 200 Contributory Hours for an Employer that adopted the Preferred Schedule and 900 Contributory Hours for an Employer that adopted the Default Schedule during the July 1, 2019 through June 30, 2020 Plan Year,

- You will earn one year of Future Credited Service for vesting purposes because you worked more than 240 Contributory Hours in the Plan Year.
- You will earn an accrued benefit under the Preferred Schedule based on the 200 Contributory Hours because you worked more than 240 Contributory Hours in the Plan Year.
- You will earn an accrued benefit under the Default Schedule based on the 900 Contributory Hours because you worked more than 1,000 Contributory Hours in the Plan Year.

For purposes of determining whether you are an Active Participant or a Terminated Participant at retirement, your early retirement benefit and benefit options, the Schedule in which the majority of your Contributory Hours were earned after June 30, 2018 will determine whether the Preferred Schedule or the Default Schedule provisions apply.

**EXAMPLE.** Assume starting July 1, 2018 a Participant had 2,000 Contributory Hours from Employers who adopted the Preferred Schedule and 2,500 Contributory Hours from Employers who adopted the Default Schedule. The Active Participant's early retirement benefit options will be determined under the Default Schedule.

### **Rules if You are an Active Participant Who Retires on or after January 1, 2019 and Before Your Employer Has Adopted a Schedule ("Interim Period")**

If you are an Active Participant who retires before your Employer has adopted a Schedule, your pension benefit shall be initially calculated and temporarily paid as follows:

- The accrued benefit earned in the 2018-2019 Plan Year will be zero. Thereafter, the accrued benefit will be calculated using the Default Schedule's benefit multiplier and service crediting rules. The early retirement benefit will initially be the unsubsidized early retirement benefit.
- There will be no disability benefits.
- If the Schedule the bargaining parties adopt results in a higher benefit than what was paid to you during the Interim Period, the Plan will pay you the higher benefit retroactive back to your retirement date with interest at 6.5%.
- If the Schedule the bargaining parties adopt results in a lower benefit than what was paid to you during the Interim Period, the Plan will adjust your benefit on the first day of the month the bargaining parties adopted the Schedule (the reduction will not apply retroactively).
- If the Default Schedule is imposed before the bargaining parties adopt a Schedule, benefits will be calculated in accordance with the Default Schedule and the Plan will adjust benefits on the first day of the month following the date the Default Schedule is imposed. Changes will not apply retroactively, even if the benefits you had been receiving were greater. When the bargaining parties adopt a Schedule, benefits will be recalculated in accordance with the Schedule adopted. Benefits will be adjusted on the first day of the month the bargaining parties adopt a Schedule and will apply retroactive back to your retirement date at 6.5% only if the final benefit is larger than what was paid during the Interim Period. Payments made during the time the Default Schedule is imposed will not be adjusted.

## ERISA REQUIRED NOTICE

This Notice is being provided in accordance with Sections 204(h) and 305(e) of the Employee Retirement Income Security Act (ERISA) and Sections 432(e)(8)(C) and 4980F of the Internal Revenue Code. This Notice constitutes a summary of material modifications to the July 2017 Summary Plan Description and should be kept with your July 2017 Summary Plan Description and other important Pension Plan documents.

If you have questions about your Pension Plan, you should contact the Plan Administrator whose name, address and telephone number are on the first page of this Notice and on the next page. If you have questions about your rights and remedies as a result of this Notice, you should contact the nearest office of the Employee Benefits Security Administration (EBSA), U.S. Department of Labor, listed in your telephone directory or at:

Division of Technical Assistance and Inquiry  
Employee Benefits Security Administration  
U.S. Department of Labor  
200 Constitution Avenue NW  
Washington DC 20210

You may also find answers to your pension plan questions, your rights and responsibilities under ERISA and a list of EBSA field offices by contacting the EBSA at (866) 444-3272 or by visiting the website at [www.dol.gov/ebsa](http://www.dol.gov/ebsa).

## INFORMATION ABOUT THE PENSION PLAN

Identifying information about the Pension Plan is as follows:

PLAN NAME:	Inlandboatmen's Union of the Pacific National Pension Plan
EMPLOYER ID #:	93-0792184
PLAN NUMBER:	001
PLAN SPONSOR:	Board of Trustees of the Inlandboatmen's Union of the Pacific National Pension Trust

## CONTACT INFORMATION CONCERNING THIS NOTICE

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