



Ohio Carpenters' Fringe Benefit Funds

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CHANGES TO THE OHIO CARPENTERS' PENSION FUND

The Trustees of the Ohio Carpenters' Pension Fund ("the Plan") have made a significant change to the way benefits are earned under the Plan. This notice will explain these important changes and what they mean for you. You do not need to take any action, but you should carefully read this notice to understand how you will earn future pension benefits under the new Plan design. The Plan will send you additional information, including opportunities for additional education. If you have any questions relating to the Plan, please call the Plan Office at (855) 837-3528.

How is the Plan changing?

Beginning November 1, 2017, you will earn a pension benefit based on a new pension formula. **You will not lose any benefits that you earned before November 1, 2017.** Going forward, benefits you earn will be under a new "Stabilized Income Formula". The new Stabilized Income Formula allows you to build up pension benefits each year, just like the current formula. But, the new Stabilized Income Formula has potential to grow throughout your career and during your retirement.

Why are the Trustees making this change?

The Trustees are committed to taking the steps necessary to preserve the financial viability of the Plan. The Trustees considered many options to not just improve the financial health of the existing Plan, but to enhance the pension benefits that the Plan provides to participants and their families. The Trustees adopted the new Stabilized Income Formula to achieve these goals.

The new Stabilized Income Formula combines lifelong income (like a traditional pension formula) with the flexibility to move with the market. Why does this matter? Because the purchasing power of your money changes over time due to inflation. Take the price of a gallon of gas. The average price of a gallon of gas in the United States in 1990 was about \$1.34. In 2016, that same gallon of gas cost \$2.49. So, you had to pay more in 2016 than you did in 1990 to buy the same amount of gas. Below is a chart showing how inflation has affected the cost of other common goods:

Product	National Average Cost in 1990	National Average Cost in 2016
New Car	\$16,950	\$34,372
Loaf of Bread	\$0.70	\$1.98
1 pound of hamburger meat	\$0.89	\$4.97

One problem with a traditional pension formula is that once you start receiving your benefit, your monthly check will never increase to keep up with inflation, even though the prices that you will have to pay will go up. As you age, inflation means it becomes more difficult to live on a fixed income.

The Trustees also adopted the new Stabilized Income Formula because investments over time historically grow, and benefits will participate in “investment inflation” under the Stabilized Income Formula. During the same period that prices increased as shown above, the investment market also increased dramatically. For example, the Dow Jones closed at 2,633 in 1990 and at 19,762 in 2016. However, during those 26 years, there were a lot of ups and downs in the market (including a -33.8% return for the Dow Jones in 2008). This year-to-year investment volatility has created funding issues for the Plan, which the law required the Trustees to address through a “rehabilitation plan.” The Stabilized Income Formula is designed to eventually relieve much of the funding stress created by investment downturns.

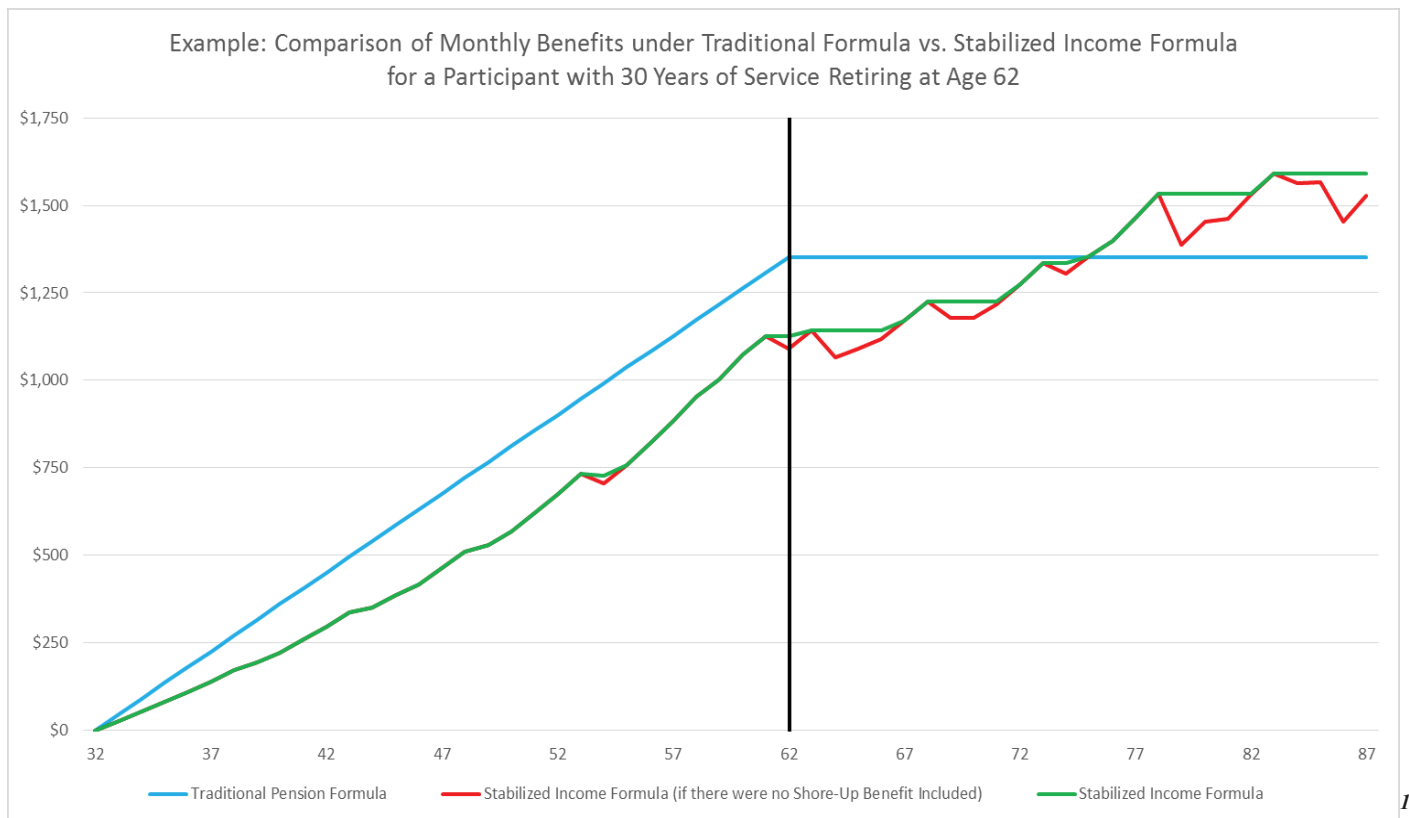
How does the new Stabilized Income Formula work?

Under the new Stabilized Income Formula, you will accrue a benefit each year you are eligible and work enough hours, just like you do now. The new Stabilized Income Formula has a “hurdle rate,” which is an annual investment return target of 5%. Your benefit will go up, and possibly down, each year based on the difference between the Plan's investment return and the 5% hurdle rate.

Is there any way to protect my benefit when investments decline?

If investments earn less than 5%, your benefit could go down. If you watch the stock market, you know that investments will not always return 5%. The Trustees implemented an additional protection against benefits going down, called a “stabilization reserve” or “shore-up benefit.” The stabilization reserve is funded with a portion of the investment returns in years when returns are higher than 10%. To fund the stabilization reserve, if the Plan's investments earn over 10%, your benefit will increase as if the investment return had been 10%, and the excess will go to the stabilization reserve. Then, if there is a year in which the Plan's investments earn less than 5% and there are funds in the stabilization reserve, the stabilization reserve will be used to shore up your benefit to keep it from going down. If the stabilization reserve is exhausted or has not been established yet with a return above 10%, your benefit would be reduced based on the shortfall in the Plan's investment return relative to the 5% target.

The chart below shows an example of how the monthly benefit is earned and paid out under the traditional benefit formula (the blue line). The blue line shows that the monthly pension benefit will grow only during the working years, and it remains flat in retirement. The chart also illustrates how the monthly pension benefit would move with investment returns under the Stabilized Income Formula, and how the use of the stabilization reserve can protect the monthly pension benefit against poor market returns. The red line represents the monthly pension benefit that would be payable under the Stabilized Income Formula if there were no shore-up benefit from the stabilization reserve used to keep the benefit from decreasing. The green line represents the monthly benefit payable under the Stabilized Income Formula with the shore-up benefit from the stabilization reserve included. As you can see from the red and green lines on the chart, under the Stabilized Income Formula, the monthly pension benefit continues to change after retirement. In years of investment returns above 5%, the monthly pension benefit increases. Conversely, in years of investment returns below 5%, the monthly pension benefit decreases (red line) unless there are sufficient funds in the stabilization reserve to keep the monthly benefit payable unchanged (green line).



The Plan’s assets will continue to be professionally managed and overseen by the Trustees who have retained an investment professional to run the Plan’s investment program. You do not have to become an expert on investment management to make your pension benefit grow. This will continue to protect you from many of the downside risks of investing.

What advantages does the Stabilized Income Formula have over the current pension formula?

The new Stabilized Income Formula has several advantages over the traditional benefit formula under the Plan today. The benefit to you is that your pension benefit can grow and combat inflation. The benefit to the Plan as a whole is that benefits earned under the Stabilized Income Formula are fully funded and the Plan’s liabilities will float with investment returns. Over time, as more of the benefits are accrued under the new Stabilized Income Formula, the Plan’s funding of the benefits earned under the Stabilized Income Formula should stay strong.

How do my old benefit and the new benefit work together?

The benefit you earned through October 31, 2017 under the traditional benefit formula is not going away. However, it will no longer grow, so it is considered “frozen” Effective November 1, 2017, you will earn benefits under the new Stabilized Income Formula.

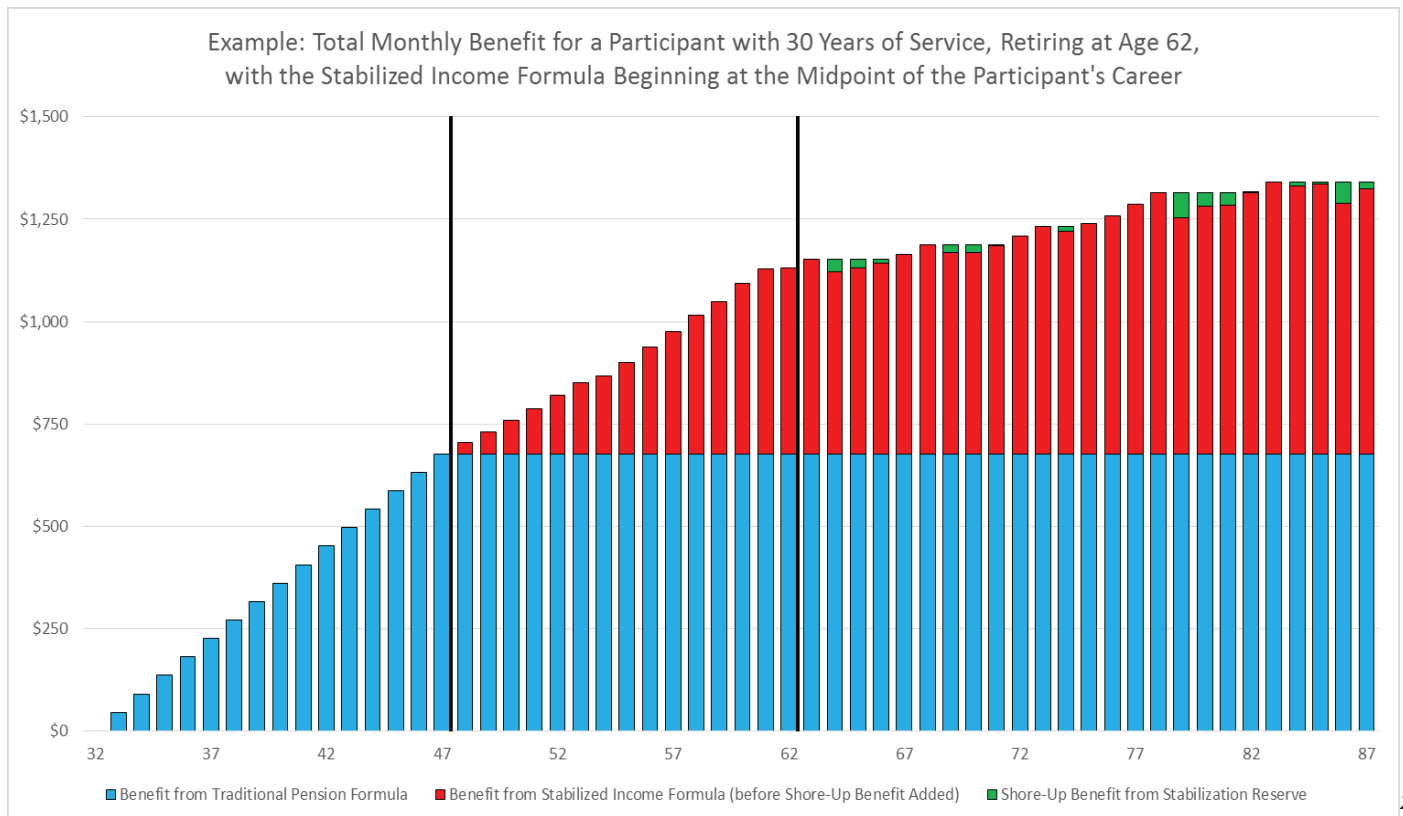
While you are working after November 1, 2017, you will accrue a new benefit each year based on the amount of contributions required to be made on your behalf. The amount of the pension benefit that you may earn for work performed on and after November 1, 2017 will remain 1% of the benefit-credited contributions

¹The example assumes future investment returns that vary up and down with an average return over time of 7.5% per year (which is the long-term expected return based on the Plan’s current mix of investments).

(which equals the total contributions minus the supplemental contributions) required to be paid to the Plan on your behalf for the work you perform on and after November 1, 2017. However, on and after November 1, 2017, the level of contributions that are considered benefit-credited will be reduced by 40%. Because of the way that the new Stabilized Income Formula works, even though the benefit you earn will initially be smaller than it would have been under the traditional formula, your new benefit is expected to grow over time and catch up to (and exceed) what it might have been under the traditional formula (see the chart above).

When you retire, you will receive both your frozen traditional pension amount earned through October 31, 2017 plus your pension amount under the new Stabilized Income Formula. The frozen traditional pension amount will not increase or decrease. However, even in retirement, your pension amount earned under the Stabilized Income Formula will be adjusted each year based on the Plan’s investment returns.

The chart below shows an example of how the monthly benefit might look for a participant who worked under the traditional benefit formula during the first half of his career, and under the Stabilized Income Formula during the second half of his career. The blue bars represent the portion of the monthly pension benefit earned under the traditional benefit formula. The red bars represent the monthly pension benefit earned under the Stabilized Income Formula that would be payable if there were no shore-up benefit from the stabilization reserve used to keep the benefit from decreasing. The green bars represent the shore-up benefit amount that comes out of the stabilization reserve to keep the total benefit amount unchanged in years of investment return below 5%.



²As in the earlier chart, this example assumes future investment returns that vary up and down with an average return over time of 7.5% per year (which is the long-term expected return based on the Plan’s current mix of investments).

Nothing else is changing.

- The rules for when you can start your pension benefit and what form of payment you can choose will not change. Please refer to your summary plan description for information about these rules.
- The Plan's vesting rules are also not changing. All of your vesting service counts for both the traditional pension formula and the new Stabilized Income Formula. You need 5 years of vesting service to have a nonforfeitable right in your entire pension benefit. Please refer to your summary plan description for information about how you earn vesting service under this Plan.
- Employers will continue making contributions to the Plan as required by their collective bargaining agreement. Employer contributions will go toward both funding the new benefit earned under the Stabilized Income Formula effective November 1, 2017 and toward the unfunded liabilities due to benefits earned through October 31, 2017.

Your pension rights are governed by the provisions of the Plan Document, as amended from time to time. You may wish to refer to the full text of the Plan Document to answer specific questions. If any inconsistencies exist between the information included in this notice and the provisions of the Plan, the provisions of the Plan shall prevail. A copy of the full text of the Plan Document can be obtained by contacting the Plan Office in writing. A charge may be made for a copy of the Plan Document. However, the Plan document may be reviewed, without charge, at the Plan Office.

Benefits under this Plan will be paid only if the Trustees decide in their discretion that the applicant is entitled to them. The Trustees shall have full discretion to determine the facts for each claim, and to interpret and apply all provisions of the Plan Document according to its terms.

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Important Information