IAM National Pension Fund

FAQs

Active Participants

1. **What changes are happening and how will it affect me?**

The first change required by regulations upon voluntarily electing Red Zone status are the elimination of the lump sum death benefit, social security option, partial lump sum, small pension benefit, and return to employment lump sum as of April 26, 2019.

The changes under the Rehabilitation Plan, are contained in two schedules, the impacts of which are described below:

- **The Preferred Schedule**:
  - Future benefit accruals remain unchanged for participants.
  - Benefit changes include the elimination of all early retirement pension benefit subsidies, effective on January 1, 2022.
  - Adoption of this schedule requires additional employer contributions of 2.5% compounded annually for the length of the Rehabilitation Plan. These additional contributions are designed to strengthen the financial health of the Fund and do not count toward benefit accruals.
  - The Single Life Annuity with 60 Certain Payments option is eliminated.

- **The Default Schedule**:
  - A reduction in future accruals of 39% (Schedule C), effective on the date of adoption or imposition.
  - Benefit changes include the elimination of all early retirement pension benefit subsidies, prospectively only, effective on date of adoption or imposition.
  - Adoption of this schedule requires additional employer contributions of 6%, compounded annually for the length of the Rehabilitation Plan. These additional contributions are designed to strengthen the financial health of the Fund and do not count toward benefit accruals.
  - The Single Life Annuity with 60 Certain Payments option, the 60 Payments Death Benefit, and the Pop-Up provision are eliminated.

  How the Rehabilitation Plan affects you depends upon which Schedule will apply. The decision on which Schedule applies to you will be made by your employer and union if you are a bargaining unit employee, and by your employer if you are a non-bargaining unit employee.

2. **What are subsidies within the context of the Plan?**

If a plan participant qualifies for 30 and out, 62 and 20, or disability the Fund provides the participant with 100% of their normal retirement age benefit prior to age 65. The value of the pre-normal retirement age benefit is known as a subsidy, as the money received by the fund only supported the benefit normal retirement age, not the increased payout.

3. **What age is normal retirement age?**

   Assuming you are vested, your normal retirement age is age 65. The Plan's vesting rules require 5 years of vesting service.

4. **What does elimination of subsidies mean?**

   The Plan will no longer pay the additional amount required to provide a fully or partially unreduced pension benefit prior to Normal Retirement Age. The elimination for these subsidies is a key component of the Rehabilitation Plan.

   Applicability of subsidy elimination depends on, and is described in, the Preferred and Default Schedules.

   Examples are contained in the Notice of Reduction in Adjustable Benefits in the mailing and available on the website. Please refer to page 4 of the notice.

   a. <u>Michael stops working at age 52 with 30 Years of Credited Service. If he were to apply for his pension at age 65, he would receive a Normal Pension benefit of $1,000 per month.</u>
   b. *Under the current Plan*, since Michael meets the requirements for a 30 and Out Pension, he will receive a benefit of **$1,000** per month, beginning at age 52. The value of this subsidization from age 52 – age 65 is $156,000 ($1,000 * 12 months * 13 years) plus interest. If subsidized unreduced Pensions such as the 30 and Out Pension were not available under the Plan, Michael could retire at age 55 with a reduced Early Retirement Pension equal to $1,000, reduced by 48% (.004 * 120 months) = $520 per month. From ages 55 to 65, Michael would receive $62,400 ($520 * 12 months * 10 years). Using the unsubsidized Early Retirement Reduction Factors, he would receive $280 per month (as shown in the following paragraph). From ages 55 to 65, he would receive $33,600 ($280 * 12 months * 10 years).
   c. *Under the Preferred Schedule*, if Michael retires at age 52 with a Completed Application Date on or after his RP Schedule Effective Date, he will not be eligible for a subsidized unreduced 30 and Out Pension. However, he remains eligible to collect his reduced retirement benefit, calculated by reducing his Normal Pension at age 65 by 72.0%, after application of the Early Retirement Reduction Factor at age 52 of .280 = **$280**. Michael would not be eligible to receive his full retirement benefit of $1,000 per month unless he delays commencement of his benefit until age 65.

The elimination for these subsidies is a key component of the Rehabilitation Plan.

5. **What is meant by retroactive and going forward (prospective)?**
   Retroactive is applicable to benefits earned and accrued in the past. The retroactive elimination of subsidies applies only to the Preferred Schedule for retirements on or after January 1, 2022.

   In the Preferred Schedule, going forward (prospectively) refers to benefits earned and accrued on or after January 1, 2022. In the Default Schedule, going forward (prospectively) refers to benefits earned or accrued on or after the date of adoption or imposition of that Schedule.

6. **Why don't the PPA Surcharges or additional employer contributions count towards benefit accruals?**

   PPA Surcharges and additional employer contributions are designed to help improve the Fund's financial health. PPA Surcharges are a requirement for Red Zone plans and are not applicable to benefit accruals. The additional employer contributions contained in the two schedules are also required by the Rehabilitation Plan rules and do not apply to future benefit accruals.

7. **What is Schedule C? What does it mean by lower future accruals?**

   Schedule C represents the reduced future accrual requirements under the Default Schedule only. The regulatory requirements of a Rehabilitation Plan Default Schedule include reducing all future accruals to 1% of contributions. On average, this represents a 39% reduction in future accruals for Plan participants in the Default Schedule.

8. **Based on this information, I now want to apply for my pension? What do I do?**

   Participants can apply online via the secure participant portal of the website, by submitting a written request to the Pension Department at IAM National Pension Fund, 1300 Connecticut Avenue, NW, Suite 300, Washington, DC 20036-1711, or I can take your information and a Pension Application will be mailed to you.

9. **Does this impact me if I have already requested an application but not yet submitted it?**

   If you have only requested an application but have not submitted a completed application then the payment form changes required by the PPA become effective on April 26, 2019.

Once a Rehabilitation Plan Schedule is adopted or imposed, the changes required by that Schedule will be applied.

10. What if I've submitted my pension application but it is considered incomplete or I haven't received my Participant Statement yet?

If your application is considered incomplete or your Participant Statement is postmarked on or after April 26, 2019, the payment form changes required by the PPA become effective on April 26, 2019.

Once a Rehabilitation Plan Schedule is adopted or imposed, the changes required by that Schedule will be applied.

11. What if I've already submitted a completed application and received my Participant Statement?

If you have submitted a completed application and your Participant Statement (election form) was postmarked prior to April 26, 2019, then your benefits will be unaffected by the changes required on or after April 26, 2019, assuming you return your signed Participant Statement in accordance with Plan rules.

12. Should I expect changes every year now?

Generally, you should not expect changes every year. The Rehabilitation Plan is designed as a 10-year schedule and is intended to protect the Fund's participants' core retirement benefits and strengthen the Fund's financial health over the long term.

However, the Rehabilitation Plan is subject to change during the 10-year schedule. The IAM National Pension Fund Board of Trustees is required to review the effectiveness of the Rehabilitation Plan periodically. Failure to maintain the 10-year projection toward emergence into the Green Zone may require adjustments to the Rehabilitation Plan in the future.

13. Can the Fund guarantee I will get a pension when I retire?

The intent of the Fund is to provide the core retirement benefit at normal retirement age. The Rehabilitation Plan is designed to ensure that we meet those obligations. The Fund, just like all defined benefit plans, does participate in an insurance program designed to guarantee a minimum level of benefits.

14. What if my employer withdraws from the Fund due to these changes?

The Fund has no control over whether employers withdraw from the Fund. That is a matter of discussion for your employer and union if you are covered under a collective bargaining agreement, and by your employer if you are covered under a participation agreement. However, we believe as a participant you should encourage your employer or union to remain in the Fund as it is currently well-funded and has now put in place a Rehabilitation Plan intended to protect the Fund's participants' core retirement benefits and strengthen the Fund's financial health over the long term.

15. What happens to my benefit if my employer withdraws from the Fund?

Once your employer withdraws from the Fund, no future benefit accruals will be earned. Assuming you are vested in the Plan, any benefit paid will be based on prior accruals and Plan rules.

16. Will the government bail the Fund out?

First, the Fund does not need a bail out. It remains well-funded at 89%. Second, under current laws and regulations, the government does not provide bail outs to multi-employer pension funds. Finally, the Rehabilitation Plan is intended to protect the Fund's participants' core retirement benefits and strengthen the Fund's financial health over the long term.

17. Does this have an impact on disqualifying employment rules? Any changes to disqualifying employment rules?

No. The Disqualifying Employment rule changes enacted in 2018 remain in place and unchanged.

18. How do I participate in the decision to elect a Rehabilitation Plan, Schedule, and effective date? Who makes the decision in electing a Rehabilitation Plan?

If you are covered by a collective bargaining agreement, contact your union representative. If you are a non-bargaining unit employee covered by a participation agreement, contact your employer.

19. When can I get an estimate of my future benefits under the rules of the Rehabilitation Plan and Schedules?

Benefit estimates are available on the secure participant portal of the website or by submitting a written request to the Pension Department at IAM National Pension Fund, 1300 Connecticut Avenue, NW, Suite 300, Washington, DC 20036-1711. These estimates are based upon election of the Rehabilitation Plan and Preferred Schedule. If your employer and union or employer adopt the Rehabilitation Plan Default Schedule, once the Benefit Fund Office is made aware future benefit estimates will be adjusted accordingly.

Do not forget that you can review your benefits earned to date in your Annual Benefit Statement. These Statements, reflecting 2018 contributions and benefits, will be sent out by late May/early June 2019.

20. Can I be grandfathered so that the Rehabilitation Plan Schedule changes don't impact my retirement plans? What if I retire by X date – does this still impact me?

No, there are no provisions for grandfathering. However, if you retire prior to the adoption or imposition of the Preferred or Default Schedule, current plan rules apply.

If you retire after adoption of the Preferred Schedule, early retirement subsidies are eliminated no earlier than January 1, 2022. If you retire before that date you may still qualify for these subsidies. If you are subject to the Default Schedule, changes will occur on the date of adoption or imposition.

21. What does a "Declining Credit Balance" mean?

In the years when the Fund brought in more in contributions than it paid out in benefits a positive credit balance was accumulated. Once the Fund began to pay more in benefits than it collected in contributions, the credit balance earned over the years began to decrease. The Rehabilitation Plan is designed to increase the Fund's credit balance and strengthen the financial health over the long term.

22. When did the Trustees make this decision?

The decision to voluntarily elect Red Zone status and adopt a Rehabilitation Plan was made by the Board of Trustees on April 17, 2019. Participants were notified by U.S. Mail on April 26, 2019. The union and employer representatives were also notified by U.S. Mail on the same date.

23. What is Zone Status and what do you mean the Trustees "voluntarily elected" to declare Red Zone Status? How is Zone Status decided? Why would the Trustees voluntarily elect a lower status?

Under the Pension Protection Act, zones are based on certain financial aspects of the Fund. Funds are determined to be in one of four zones: "Green" for a healthy plan, "Yellow" for an endangered plan, "Red" for a plan in critical status, and "Deep Red" for a plan considered critical and declining.

Under the Multiemployer Pension Reform Act of 2014 ("MEPRA"), Boards of Trustees have the option of voluntarily electing Red Zone status to take advantage of the most powerful tools available to protect the Fund's participants' core retirement benefits and strengthen the Fund's financial health over the long term. Based on this tool, the IAM National Pension Fund Board of Trustees voluntarily elected to declare the Fund in the Red Zone.

24. If the Fund is in the Red Zone doesn't that mean the Fund is going to cut current retiree and beneficiary benefits too?

Absolutely not. Plans in the Red Zone are not permitted to reduce payments to retirees and beneficiaries.

25. What is a Rehabilitation Plan?

A Rehabilitation Plan is a legally required plan designed to move Red Zone funds into the Green Zone within 10 years. Funding Improvement Plans apply to Yellow Zone plans.

26. How long is the Rehabilitation Plan in effect?

The Rehabilitation Plan, based on reasonable assumptions, projects that the Fund will emerge into Green Zone status within 10 years. Benefit changes to the Plan remain in place after the Fund emerges from the Rehabilitation Plan into the Green Zone. However, the Board of Trustees does have the right to amend the Plan in the future.

27. What if the Rehabilitation Plan and a Schedule are not adopted?

If a Rehabilitation Plan and one of the two schedules is not adopted within 180 days after your collective bargaining agreement or participation agreement expires, the Default Schedule will be automatically implemented, and the employer will pay an additional non-compounding 10% per year, as well as the compounding contribution increases contained in the Default Schedule and the benefit changes covered under the Default Schedule will apply.

28. What is the contribution increase each year? How will the contribution increase affect my benefit?

First, it is important to understand that all additional contributions made as a result of the Rehabilitation Plan, whether Pension Protection Act (PPA) surcharges or Schedule contribution increases, do not result in future benefit accruals, they are designed to improve funding only.

Prior to adoption of the Rehabilitation Plan, PPA surcharges apply for employers (5% beginning June 1, 2019 and increasing to 10% beginning January 1, 2020).

After adoption of the Rehabilitation Plan, the PPA surcharges are eliminated and, if the Preferred schedule is selected, employers begin paying 2.5% compounding annually for 10 years. If the Default Schedule is selected, they pay 6% compounding annually for 10 years. If the Default Schedule is imposed, they pay the PPA 10% surcharge plus the 6% compounding annually for 10 years.

29. **Where does the additional money come from to pay contribution increases? Who pays for contribution increases?**

    Additional contribution increases are the responsibility of the employer.

30. **How do I get additional information? Is there more information I can read to help me understand? Are there other materials that explain all of this?**

    Please visit www.iambfo.org, select the National Pension Fund icon, and log-in to the secure portion of the website for additional information, including answers to FAQs, explanatory videos, and more.

Glossary

Accruals: Benefits earned by Fund participants. Not only will past accruals remain untouched as part of the Rehabilitation Plan, but if your employer and union agree to the Preferred Schedule, your future accruals will also remain unchanged.

BAS: Benefit Administration System. This is the computer software used to administer benefits. Current version known as PIPS.

Collective Bargaining Agreement (CBA): An agreement between an employer and a trade union setting forth the terms and conditions of employment for employees within the union.

Deep Red Zone: A fund considered critical and declining, as determined by the Pension Protection Act.

Default Schedule: One of two schedule options for employers and unions to adopt as part of the Fund's Rehabilitation Plan. The Default Schedule, the parameters of which are determined by the regulations and not the Board, requires the elimination of all plan subsidies prospectively and a reduction in future accruals of 39% (Schedule C) for participants whose bargaining parties have agreed to, or are forced under the regulations into, the Default Schedule.

The Default Schedule contribution and benefit changes will be effective on the date of adoption. However, if your employer and union do not adopt the Rehabilitation Plan and one of the two schedules within 180 days after your collective bargaining agreement expires, the Default Schedule will be automatically implemented, and the employer will pay an additional 10% per year, in addition to the contribution increases contained in the schedule.

Green Zone: A healthy fund, as determined by the Pension Protection Act.

Multiemployer Pension Reform Act (MEPRA): Under the Multiemployer Pension Reform Act ("MEPRA"), when a pension fund is projected to enter the Red Zone within five years, the trustees have the option of voluntarily electing Red Zone status to take advantage of tools to improve the fund's long-term health that would not otherwise be available.

Pension Protection Act (PPA) of 2006: The Pension Protection Act established the most significant changes to pension plans since the Employee Retirement Income Security Act (ERISA) of 1974. Under the Pension Protection Act, four zones were established to rank benefit funds based on financial health: green, yellow, red and deep red.

Preferred Schedule: One of two schedule options for employers and unions to adopt as part of the Fund's Rehabilitation Plan. Future benefit accruals remain unchanged. The Preferred Schedule requires the elimination of all plan subsidies retroactively and prospectively effective on January 1, 2022.

Red Zone: A fund in critical status, as determined by the Pension Protection Fund.

Rehabilitation Plan: A legally required plan designed to move Red Zone funds into the Green Zone within 10 years. The Fund's Rehabilitation Plan includes increased contributions from employers and the elimination of subsidized early retirement pension benefits for participants. There are two schedule options for benefit participants in the Rehabilitation Plan: The Preferred Schedule and the Default Schedule.

Schedule B: Future accrual rate set for new employer groups joining the Fund after 1/1/2003. Applies to all other employers beginning in 2011 and no later than 12/31/2013.

Schedule C: Future accrual rate set for those adopting the Rehabilitation Plan's Default Schedule, effective upon adoption or imposition.

Yellow Zone: An endangered plan, as determined by the Pension Protection Act.