

## IAM National Pension Fund

### FAQs

#### **Deferred Vested Participants**

- 1. I am a Deferred Vested Participant, and my former employer no longer contributes to the Plan, how does this affect me?**

Deferred Vested participants who work or worked for an employer that no longer contributes to the Fund (prior to September 1, 2019) will automatically be part of the Preferred Schedule effective September 1, 2019.

- 2. I am a Deferred Vested participant, and my former employer still participates in the Fund, how does this affect me?**

Deferred Vested participants of employers who still participate in the Fund will fall under the Rehabilitation Plan and Schedule selected by 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, effective at the time of election or imposition.

- 3. As a Deferred Vested participant, is there anything I need to do?**

No, you do not need to do anything.

- 4. *When will I know what Schedule is being applied to me, if my employer still participates in the Fund?***

Please contact your previous union representative or employer for further information on the timeline they will target for Rehabilitation Plan adoption and Schedule selection.

- 5. What does the Rehabilitation Plan and Schedules mean to me? What are the changes if I fall under the Preferred Schedule or Default Schedule? How many schedules are there in the Rehab Plan? How are they different?**

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. If you are a Deferred Vested participant whose former employer continues to participate in the Fund, the decision on which Schedule applies to you will be made by your employer and union if you were covered by a collective bargaining agreement, and by your employer if you were covered by a participation agreement. If you are a Deferred Vested participant whose former employer no longer participates in the Fund, the Preferred Schedule will apply effective September 1, 2019.

## **6. 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.

## **7. What does elimination of subsidies mean to me?**

As a Deferred Vested participant, it is unlikely that you would qualify for 30 and out, 62 and 20, or disability benefits, unless you have been working in disqualifying employment, therefore, the subsidy elimination impact to you is the increase in the age-reduction factors applied to an early retirement benefit.

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 pages 3 and 4 of the notice.

- **Example:** Steve stops working at age 55 with 15 years of Credited Service and submits his completed pension application. The amount of his monthly Normal Pension if Steve starts receiving payments at age 65 is \$1,000.
  - *Under the current Plan*, Steve's Early Retirement Pension is calculated as follows: \$1,000, reduced by 48% ( $.004 * 120$  months) = **\$520**. Steve would receive an Early Retirement Pension of \$520 per month if he retires and starts his pension immediately at age 55 under the current Plan.
  - *Under the Preferred Schedule*, Steve's Early Retirement Pension is calculated as follows: \$1,000, reduced by 63.4%, after application of the Early Retirement Reduction Factor at age 55 of .366 = **\$366**. Steve would receive an Early Retirement Pension of \$366 per month if he retires and starts his pension immediately at age 55 under the Preferred Schedule.

#### **8. Am I losing my pension benefits?**

No. As a Deferred Vested participant, your previously earned, accrued benefits are not lost, although early-retirement subsidies have been retroactively eliminated in the Preferred Schedule. If you return to work with a participating employer, your future benefits will be determined by the Rehabilitation Plan and Schedule adopted by your employer.

#### **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.