

Rehabilitation Plan Q & A's

The Q & A's and hypothetical situations that follow are intended to illustrate various aspects of the Pension Protection Act of 2006 and the 2008 Default and 2008 Alternative Schedules.

CAUTION: These hypotheticals are for illustration purposes only. Every person's circumstances must be evaluated individually. These hypotheticals do not represent any official statement or announcement of the Fund or its Board of Trustees. Notwithstanding any statement herein, benefits are determined under the terms of the National Pension Fund Plan of Benefits. Any statement contrary to the Plan of Benefits is of no force and effect and may not be relied upon. Nov 2007 Ed.

"I plan on taking early retirement December 1, 2007, what happens if my Local adopts the Default Schedule?"

Whatever form of early retirement you qualify for you will continue to qualify for. This will not be affected once your Local adopts the Default Schedule. You will not, however, receive any COLA.

"What if I wait till March 1, 2008, what happens if my Local adopts the Default Schedule?"

You may initially draw whatever form of early retirement you qualify for. After your Local chooses the Default Schedule, your early retirement benefit will be reduced to Standard Early Retirement, as modified. You will not receive any COLA. You may lose optional forms of benefits.

"I am eligible for Early Retirement, should I retire now?"

- Retirement is a complex decision heavily dependent upon individual circumstances.
- You will not receive COLA increases.
- If you retire on or after March 1, 2008, your early retirement is subject to adjustment after the bargaining parties adopt a schedule.

"I know my Local will adopt the Alternative Schedule, so I'll be okay regardless of date I retire?"

- Under the Alternative Schedule, the 55/30 benefit is preserved although optional forms of payments could change. The actuarial reduction factors for Special Early are increased at ages 55 through 62, however, benefits remained unreduced at age 62.
- No COLA would be paid.
- If you retire on Special Early before age 62 and after the Notice of Critical Status, the reduction factors will be greater.

“I went to work outside the Trade about 10 years ago, what happens to me under the Rehab Plan?”

Because you are a person for whom contributions are no longer required to be made, your early retirement will be reduced to its actuarial equivalent. You would not receive any COLA or 401(h) benefits.

“I am already retired, what will Rehab Plan mean to me?”

Your COLA increases will be scaled back to the level in effect in 2002.

“I am not yet 55 and plan to work with the tools a few more years, what does all this mean for me?”

Your rate of accrual can change depending upon the Schedule your Local and Employers adopt. Your forms of benefits, such as Early retirement options, will depend upon whether you're Local and Employers adopt the Alternative or Default Schedule. Those Schedules may change in the future.

The dollar value of your benefit may increase because the accrual rate may apply to the entire rate, or 70% of the rate for 55/30 strings.

Could the 1.5% and the .7% under the 2008 Alternative Schedule be paid on all increases through 2017 for non 55/30 strings and 70% of 55/30 contract strings?

YES, however, the schedules must be reviewed each year so it is possible for the rate of accrual and other features to change

Would the new reduction factors for Standard and Special Early Retirement apply to the total benefit or just benefits earned after the Schedule is adopted?

They will apply to the entire benefit of those who retire after Notice of Critical Status is given. People who retire before the notice should be unaffected by these changes.

Under the Default Schedule, is it possible that 1% on all contributions and all hours is higher than 1.5% and .7%?

For the vast majority of participants, NO. If a participant worked more than 2400 hours in a calendar year, then the 1% could be more. NPF plans to prepare comparisons of the effect of the changes on a wide sample of participants.

What happens to persons for whom “no contributions are required to be made”?

The PPA says that the Rehabilitation Plans must make an allowance for funding the benefits of participants with respect for whom contributions are not currently required to be made, and shall reduce their benefits to the fullest extent permitted by law.

Who are persons for whom “no contributions are required to be made?”

Well, the first category is retirees. Since retirees are no longer working, contributions are not required to be made for them. That is why there are changes to COLA benefits.

The second group is those persons who have stopped working in Covered Employment, or worked very few hours over the past five years.

Rehabilitation Plan Hypotheticals

Q: Joe retired in 1991, what can happen to him under the PPA and the Rehab Plan?

A: Joe's COLA increases maxed out in 2006 after 15 years on retirement. After Notice of Critical Status, the COLA increases will be reduced to the amount that was in effect in 2002.

Q: Jack retired effective June 1, 2005 under a 55/30 Pension. His Local adopted 55/30 on 6/1/05. Could 55/30 possibly be affected?

A: Yes. Since Jack's Local adopted 55/30 less than 60 months before 1/1/08, his benefit may be scaled back *if* his bargaining parties adopt a schedule the Default Schedule). Jack won't get a COLA because 60 months back, he was not receiving COLA benefits.

Q: Keith, age 57, is eligible for Special Early Retirement. He retires after NPF gives Notice of Critical Status. He chooses Special Early. What could happen?

A: He gets Special Early (as modified). BUT WAIT, after Keith's retirement, his Local decides to adopt the Default Schedule which does NOT preserve Special Early.

Keith's early retirement benefit would be reduced from (modified) Special Early to (modified) Standard Early. Also, if Keith had taken an optional form of benefit, it may be eliminated. Keith would not get COLA because 60 months back he had no COLA.

Q. Kim is Keith's twin sister. She does everything Keith does, except she retires one month before the NPF gives Notice of Critical Status. Is she is treated differently than Keith?

A. Yes, in some important respects. She may draw Special Early unmodified. It will not be reduced once her Local adopts a Schedule. Other optional forms of benefits, like level income, would be preserved.

Employer Hypotheticals

Q. An Employer puts in 10% contribution increase in 2007. The Employer refuses to negotiate either the Default or Alternative Schedule, what does Employer pay in 2008?

A. Thirty days after NPF gives Notice of Critical Status, the employer's contribution rate will increase by 5%.

Q. Does the 5% surcharge include the 10% contribution increase made for 2007?

A. Yes. But there is no surcharge payable if and when an Employer and Local adopt a Schedule. If a Schedule were adopted before the surcharge takes effect, then there would be no surcharge.

Q. Our Local Union has the authority under our Collective Bargaining Agreement between wages and fringe benefits. The Local had a membership meeting last week and the membership voted to allocate enough money from an upcoming increase to cover the increase required in the 2008 Alternative Schedule. Does this mean that Schedule is adopted?

A. Probably. Assuming the Local does have allocation authority and the Local clearly allocates the required contribution rates needed for the 2008 Alternative Schedule by its earliest allocation date, then it would be deemed adopted.