

Locals 302 and 612 of the International Union of Operating Engineers Trust Funds

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Administered by
Welfare & Pension Administration Service, Inc.

December 14, 2012

TO: All Participants
Locals 302 and 612 of the International Union of Operating Engineers –
Employers Construction Industry Retirement Trust

RE: Notice of Changes in Benefits and Summary of Material Modification

Retired Participants: if you are already retired and receiving benefits from the Plan, your benefits will **not** be affected by this change, *unless you return to work and earn additional service after December 31, 2012.*

As you know, the poor performance of the financial markets during 2008 caused most pension plans to make changes, including the Locals 302 and 612 of the International Union of Operating Engineers – Employers Construction Industry Retirement Plan (“Plan”). Despite those changes, the financial markets continue to hinder the recovery of the Plan. The Trustees, like trustees of other pension plans across the country, have had to take another hard look at the benefits provided by the Plan. As a result of this review, the Trustees approved Plan benefit changes for hours worked on and after **January 1, 2013**.

The following is an explanation of the upcoming benefit changes.

Summary of Changes:

- While the benefit accrual rate of 1.5% has not changed, 12% of all employer contributions for covered hours of employment on and after January 1, 2013 will be used solely for funding the Plan.
- The Plan’s normal retirement age will increase from age 60 to age 62 for benefits accrued on and after January 1, 2013.
- The Plan’s earliest eligible retirement age will increase from age 52 to age 55 for benefits accrued on and after January 1, 2013.
- The late retirement increase for benefits earned before normal retirement age will be eliminated for benefits accrued on and after January 1, 2013.

Each of these changes is further described below.

Portion of Employer Contributions Allocated to Plan Funding

Presently you accrue a benefit equal to 1.5% of employer contributions made or required to be made on your behalf for covered hours of employment with the exception that 12% of the negotiated employer contribution rate in effect on January 1, 2010 is solely for funding the Plan.

Under the Plan as amended, the accrual rate will remain at 1.5%. However, effective for hours worked on and after January 1, 2013, 12% of **all** contributions will be allocated to funding the Plan and you will not accrue a benefit on that amount. You will accrue benefits on the remaining 88% of employer contributions.

Example (using the Master Labor Agreement rates): Suppose you have accrued a benefit payable at normal retirement of \$2,000 as of December 31, 2012.

- The contribution rate as of January 1, 2010 was \$6.90 per hour. Currently, 12% of the contribution rate in effect as of January 1, 2010, or \$0.828, is used to fund the Plan and accrues no benefit.
- As of January 1, 2013 your employer contributes \$7.65 per hour to the Plan on your behalf. For hours worked on and after January 1, 2013, 12% of the entire hourly contribution rate paid on your behalf, or \$0.918, will be used to fund the Plan. You will accrue a benefit on the remaining \$6.732.

If you work 1,400 hours from January 1, 2013 through December 31, 2013, you will accrue a normal retirement benefit of \$141.37 per month, calculated as follows: 1,400 hours x \$7.65 x 88% x 1.5% = \$141.37. (Without this amendment, the benefit you would earn in this year would be \$143.26.)

If the negotiated contribution rate increases to \$8.40 per hour on January 1, 2014, and there are no further changes in the accrual formula, then 12% of \$8.40, or \$1.008, will be used to fund the Plan, and you will accrue a benefit on the balance of \$7.392. If you work 1,400 hours from January 1, 2014 through December 31, 2014, you will accrue a normal retirement benefit of \$155.23 per month, calculated as follows: 1,400 hours x \$8.40 x 88% x 1.5% = \$155.23. (Without this amendment, the benefit you would earn in this year would be \$159.01.)

In this example, your total normal retirement benefit accrued as of December 31, 2014, compared to what it would have been before the amendment, is as follows:

Years	Accrued Benefit (before change)	Accrued Benefit (after change)
Prior to 2013	\$2,000.00	\$2,000.00
2013	143.26	141.37
2014	<u>159.01</u>	<u>155.23</u>
Total	\$2,302.27	\$2,296.60

The normal retirement benefit may be reduced depending upon the form of payment elected at retirement.

Normal Retirement Age and Earliest Retirement Age

Normal retirement age under the Plan is currently age 60. If you retire before your normal retirement age (currently as early as 52), your benefit is reduced for each month that your age at retirement precedes age 60.

The normal retirement age for benefits accrued on and after January 1, 2013, will change to age 62 and the earliest eligible age to receive benefits accrued on and after January 1, 2013 will change to age 55. As a result, the factors applied to your benefits that commence prior to normal retirement have also been adjusted, as shown in the table below. (Increases for late retirement are discussed in the next section.) The percentages in the middle two columns would apply to the benefit you earn prior to January 1, 2013. The last column applies to benefits earned on and after January 1, 2013. Finally, it is important to note that if you retire before age 55, you will need to wait until age 55 to start any benefits accrued on or after January 1, 2013.

If your age when you choose to retire is....	The factor applied to your normal retirement (age 60) benefit earned prior to January 1, 2013 will be....		And the factor applied to your normal retirement (age 62) benefit earned on and after January 1, 2013 will be....
	Pre-1/1/10	2010-2012	Post-12/31/12
62	112.0%	112.0%	100.0%
61	106.0%	106.0%	93.5%
60	100.0%	100.0%	87.0%
59	98.0%	93.5%	80.5%
58	96.0%	87.0%	74.0%
57	93.0%	80.5%	67.5%
56	90.0%	74.0%	61.0%
55	86.0%	67.5%	54.5%
54	82.0%	61.0%	n/a
53	79.0%	54.5%	n/a
52	76.0%	48.0%	n/a

These percentages are based on whole ages. The actual percentage applied to your benefit will be based on your age in years and months at retirement. **Note: The new factors only apply to the accrued benefit for hours worked on or after January 1, 2013. The factors applied to the accrued benefit for hours worked prior to January 1, 2013 are unchanged.**

Example: Suppose you retire early, on January 1, 2016. Through December 31, 2009 you accrued a monthly benefit of \$2,000. From January 1, 2010 through December 31, 2012, you accrued a monthly benefit of \$400. On and after January 1, 2013 you accrued an additional monthly benefit of \$600.

Calculation Based on Terms of the Plan Prior to this Amendment

Age at Early Retirement	Calculation	Monthly Benefit
52	$(\$2,000 \times 76.0\%) + (\$400 \times 48.0\%) + (\$600 \times 48.0\%)$	\$2,000
55	$(\$2,000 \times 86.0\%) + (\$400 \times 67.5\%) + (\$600 \times 67.5\%)$	\$2,395
58	$(\$2,000 \times 96.0\%) + (\$400 \times 87.0\%) + (\$600 \times 87.0\%)$	\$2,790

Calculation On and After January 1, 2013

Age at Early Retirement	(Pre-1/1/13 Calculation) + (Post-12/31/12 Calculation)	Monthly Benefit
52	Payable at age 52: $(\$2,000 \times 76.0\%) + (\$400 \times 48.0\%)$ Plus, payable at age 55: $(\$600 \times 54.5\%)$	\$1,712 \$327
55	$(\$2,000 \times 86.0\%) + (\$400 \times 67.5\%) + (\$600 \times 54.5\%)$	\$2,317
58	$(\$2,000 \times 96.0\%) + (\$400 \times 87.0\%) + (\$600 \times 74.0\%)$	\$2,712

Increasing the earliest retirement age to 55 and the normal retirement age to 62 after January 1, 2013 results in a decrease to your early retirement benefit over what you would have earned. ***This change also delays the availability of some of your benefits if you retire before age 55.*** Please note that the reduction in your future benefit from this change and any amount that may be delayed until at least age 55 will depend upon the amount of your total benefit earned before January 1, 2013 versus the amount earned on and after January 1, 2013.

Elimination of Factors for Late Retirement

At present, if you continue to work and delay retirement beyond age 60, the benefits you earned before age 60 are increased by ½ of 1% for each month your retirement date follows your normal retirement date. You also accrue a benefit for covered employment after your normal retirement date. Under the Plan as amended, you will continue to accrue a benefit for covered employment after your normal retirement date (now age 62), but you will not receive the late retirement increase on benefits accrued on or after January 1, 2013. Starting January 1, 2013, if you retire after age 60, your late retirement benefit will be calculated in two parts.

The first part – the benefit you earn for covered employment before January 1, 2013 (and before you reach normal retirement, still age 60) – will be increased by late retirement factors set forth in column 1 in the table below.

The second part – attributable to covered employment after December 31, 2012 (and before you reach normal retirement, updated to age 62) – will no longer be increased by a late retirement factor if you choose to retire after your normal retirement age (as reflected in column 2 in the table below). ***This change only applies to future service benefits for covered hours earned on or after January 1, 2013 and only to those benefits earned before your normal retirement.***

Late Retirement Factors		
	Column 1	Column 2
If your age when you choose to retire is....	The factor applied to your normal retirement (age 60) benefit earned prior to January 1, 2013 will be....	And the factor applied to your normal retirement (age 62) benefit earned on and after January 1, 2013 will be....
65	130%	100%
64	124%	100%
63	118%	100%
62	112%	100%
61	106%	93.5%
60	100%	87%

These percentages are based on whole ages. The actual percentage applied to your benefit will be based on your age in years and months at retirement. ***Note: The new factors only apply to the accrued benefit for hours worked on or after January 1, 2013. The factors applied to the accrued benefit for hours worked prior to January 1, 2013 are unchanged.***

Example: Suppose you continue to work and then retire late, at age 61 on January 1, 2016. Through January 1, 2013, age 58, you accrued a monthly benefit of \$2,000. On and after January 1, 2013 you accrue an additional monthly benefit of \$200 for each year of service.

Calculation Based on Terms of the Plan Prior to this Amendment

Benefit Accruals	Calculation at Age 61	Late Retirement Benefit
58	\$2,000 x 106%	\$2,120
58-60	2 years x \$200 x 106%	\$424
60-61	1 year x \$200	<u>\$200</u>
		\$2,744

Calculation On and After January 1, 2013			
Benefit Accruals	Pre-1/1/13 Calculation	Post-12/31/12 Calculation	Late Retirement Benefit
58	\$2,000 x 106%		\$2,120
58-61		3 years x \$200 x 93.5%	<u>\$561</u>
			\$2,681

In this example, discontinuing the late retirement factors after January 1, 2013 results in a decrease to your late retirement benefit over what you would have earned. In this example, with the amendment, the benefit is \$63 per month less if you retire at age 61. Please note that the reduction in your future benefit from this change will depend upon the amount of your total benefit earned before January 1, 2013 versus the amount earned on and after January 1, 2013.

For More Information

This notice is a summary of material modifications to the 2007 Edition of the Summary Plan Description. Please keep this notice with your booklet. If you have any questions concerning the above or benefits in general, please contact one of the following pension representatives at Welfare & Pension Administration Service, Inc. at (206) 441-7314 or (877) 441-1212:

- If your last name begins with the letter:
- A-J Byron Stevens Extension 3204
 - K-Z David Spradlin Extension 3211

You may also visit our website at www.engineerstrust.com.

**Board of Trustees
 Locals 302 and 612 of the International Union of Operating Engineers-Employers
 Construction Industry Retirement Plan**