

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

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Administered by  
Welfare & Pension Administration Service, Inc.

March 10, 2017

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

**RE: Notice of Change 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, 2016.*

We previously notified you that the Trustees of the Locals 302 and 612 of the International Union of Operating Engineers-Employers Construction Industry Retirement Plan had amended the benefit formula to help improve the Plan's funded status. Subsequent to sending that notice, the Trustees determined that the amended formula adversely impacted certain participants with low contribution rates. To correct that unintended consequence while still addressing the Plan's funding issues, the Trustees replaced the formula previously adopted with a new simplified formula. The simplified formula applies to covered hours of employment on and after January 1, 2017.

### **No Change in Accrual Rate**

Presently, you accrue a benefit equal to 1.5% of the employer contributions made or required to be made on your behalf, less the contributions allocated to funding. The 1.5% accrual rate is not changing. However, the contributions allocated to funding will change.

### **Formula Being Eliminated**

The prior formula adopted by the Trustees (which is being replaced in its entirety) provided that for covered hours of employment on and after January 1, 2017, the first \$1.00 of the hourly contribution, plus 20% of the balance of the hourly contribution, would go to funding the Plan and would not accrue a benefit. This formula has been eliminated.

### **New Simplified Formula**

Effective for covered hours of employment on and after January 1, 2017, the Trustees adopted a simplified formula to replace the formula being eliminated. Under the simplified formula, a straight 25% of the hourly contributions will go to funding the Plan. However, to protect certain participants, the amount used for funding will not exceed \$1.00 of the hourly contributions plus 20% of the balance of the hourly contributions for covered hours of employment from January 1, 2017 through March 31, 2017.

For the vast majority of participants, this simplified formula means more of the hourly contribution will be used for benefits and less will be used for funding than under the formula being eliminated. However, for hours worked on and after April 1, 2017, a few participants with relatively high contribution rates will have slightly more of the hourly contribution applied to funding than was the case under the formula being eliminated.

**Here is an example comparing the benefit under the formula being eliminated with the benefit under the new simplified formula. The example assumes no further changes in the benefit formula:**

Suppose that through December 31, 2016, you have accrued a benefit payable at normal retirement of \$2,000 per month. As of January 1, 2017, your employer contributes \$10.65 per hour to the Plan on your behalf. Under the formula being eliminated, the first \$1.00 of the hourly contribution for covered hours of employment on and after January 1, 2017, plus 20% of the balance of the hourly contribution, or \$2.93, would have gone to funding. Benefits would have accrued at the rate of 1.5% on the remaining \$7.72. If you worked 1,400 hours from January 1, 2017 through December 31, 2017, you would have accrued a normal retirement benefit of \$162.12 per month, calculated as follows:  $\$7.72 \times 1,400 \text{ hours} \times 1.5\% = \$162.12$ .

Under the new simplified formula that applies to covered hours of employment on and after January 1, 2017, 25% of the \$10.65 in hourly contribution paid on your behalf, or \$2.6625, is now used to fund the Plan and does not accrue a benefit. You accrue a benefit at the rate of 1.5% on the remaining \$7.9875. If you work 1,400 hours from January 1, 2017 through December 31, 2017, you will accrue a normal retirement benefit of \$167.74 per month, calculated as follows:  $\$10.65 \times 75\% \times 1,400 \times 1.5\% = \$167.74$ .

If the negotiated contribution rate is \$10.90 on January 1, 2018, and you work 1,400 hours from January 1, 2018 through December 31, 2018, your normal retirement benefit accrued for 2018 would have been \$166.32 per month under the formula being eliminated, calculated as follows:  $(\$10.90 - \$1.00) \times .80 \times 1,400 \text{ hours} \times 1.5\% = \$166.32$ . Under the new simplified formula, you would accrue a normal retirement benefit of \$171.68 per month, calculated as follows:  $\$10.90 \times 75\% \times 1,400 \times 1.5\% = \$171.68$ .

In this example, your total normal retirement benefit accrued as of December 31, 2018, compared to what it would have been under the formula being eliminated, is as follows:

<b>Years</b>	<b>Accrued Benefit under Simplified Formula being Adopted</b>	<b>Accrued Benefit under Formula Being Eliminated</b>
Prior to 2016	\$2,000.00	\$2,000.00
2017	167.74*	162.12
2018	<u>171.68</u>	<u>166.32</u>
Total	\$2,339.42	\$2,328.44

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

\*For the period from January 1, 2017 through March 31, 2017, your accrued benefit will not be less than it would have been under the formula being eliminated.

**For More Information**

This notice is provided in accordance with Section 204(h) of the Employee Retirement Income Security Act of 1974, as amended, and Section 4980F of the Internal Revenue Code of 1986, as amended. This notice is also 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 benefits described in this notice, or Plan benefits in general, you may visit our website at [www.engineerstrust.com](http://www.engineerstrust.com), write the Trust Administration Office at the address indicated above, or call one of the following pension representatives at (206) 441-7314 or (877) 441-1212:

- If your last name begins with the letter:
- A-J Heidi Jongkindt Extension 3206
  - K-Z David Spradlin Extension 3211

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