



# CARPENTERS TRUSTS

of Western Washington

Health and Security   Retirement   Vacation   Industry Fund

Date: August 14, 2017

To: Participants of the Carpenters Retirement Plan

From: Board of Trustees

Subject: Important Information About the Carpenters Retirement Plan

Beginning January 1, 2017, the Carpenters Retirement Plan of Western Washington started calculating benefits using a sustainable income benefit (“SIB”) formula. The Board of Trustees recently adopted several changes to the Carpenters Retirement Plan to address issues in the transition to this new benefit formula. These changes include:

- Discontinuance of the Pension Enhancement Option for retirement dates after December 1, 2017;
- An allocation from hourly contributions to the Plan to a SIB Stabilization Reserve effective for hours worked on and after September 1, 2017;
- Three-year vesting for benefits earned prior to December 31, 2016 under the traditional benefit formula; and
- Qualification for Regular Early Retirement and Special Early Retirement with three years of service effective January 1, 2017.

More information regarding these changes is provided in this notice.

## **Pension Enhancement Option Ends December 1, 2017**

Currently, you can use all or part of your account balance in the Carpenters of Western Washington Individual Account Pension Plan to increase your monthly benefit under the Carpenters Retirement Plan.

We previously advised you that the Pension Enhancement Option (PEO) is not consistent with the SIB benefit design and that the Trustees would explore options for the PEO beyond 2017.

The Trustees decided to cease offering the PEO at the end of 2017. The PEO will be available if you retire on or before December 1, 2017. However, it will not be available if your retirement effective date is on or after January 1, 2018 or your retroactive retirement date is prior to January 1, 2018.

To initiate a retirement application before this deadline, you should contact Carpenters Trusts no later than November 1, 2017 for a December 1, 2017 retirement date.

### **Contributions Allocated to SIB Stabilization Reserve Used to Shore-Up Benefits**

Your SIB benefit is based upon the hours worked times the accruing employer contribution times the benefit factor of 0.87%. Currently, the accruing employer contribution is the hourly contribution rate paid by your employer, reduced by:

- (1) The Funding Improvement Surcharge of 26% (but not more than \$1.25), which is used to improve the Plan's financial status; and
- (2) The Rule of 80 Surcharge of 16.7% after reduction for the funding surcharge, which goes toward funding the subsidy for Rule of 80 Early Retirement.

Effective for hours worked on and after September 1, 2017, the accruing contribution will be the hourly contribution reduced by an additional surcharge to help fund a reserve called the SIB Stabilization Reserve. The SIB Stabilization Reserve allows the Trustees to shore-up sustainable income benefits in years in which Plan investments are less than 4%. Accordingly, effective September 1, 2017, the accruing contributions will be the hourly contribution reduced by:

- (1) The Funding Improvement Surcharge;
- (2) The SIB Stabilization Reserve percentage, which is applied to the hourly contribution after reduction for the Funding Improvement Surcharge; and
- (3) The Rule of 80 Surcharge which is 16.7% of the hourly contribution after reduction for the Funding Improvement Surcharge and the SIB Stabilization Reserve percentage.

The SIB Stabilization Reserve percentage is the following percentage of the hourly contribution net of the Funding Improvement Surcharge:

<b>Hours of Service</b>	
2.3%	September 1, 2017 through May 31, 2018
3.9%	June 1, 2018 through May 31, 2019
5.5%	June 1, 2019 through May 31, 2020
6.4%	June 1, 2020 through May 31, 2021
7.4%	On and after June 1, 2021

### **Here is an example:**

Suppose you work 2,000 hours per year and the hourly contribution rate set by the collective bargaining agreement is \$5.60. Here is an example of how your underlying benefit would be calculated before and after the amendment establishing the SIB Stabilization Reserve percentage:

	Before Amendment	After Amendment	
		9/1/2017 to 5/31/2018 (2.3% SIB Reserve Percentage)	6/1/2018 to 5/31/2019 (3.9% SIB Reserve Percentage)
(a) Hourly Contribution:	\$5.60	\$5.60	\$5.60
(b) Funding Improvement Surcharge [26% of (a) not to exceed \$1.25]:	\$1.25	\$1.25	\$1.25
(c) Subtotal [(a)-(b)]:	\$4.35	\$4.35	\$4.35
(d) SIB Stabilization Reserve [(c) x SIB Reserve Percentage]:	\$0.00	\$0.10	\$0.17
(e) Subtotal [(c)-(d)]:	\$4.35	\$4.25	\$4.18
(f) Rule of 80 Surcharge [16.7% of (e)]:	\$0.73	\$0.71	\$0.70
(g) Total Hourly Accruing Contribution [(e) – (f)]:	\$3.62	\$3.54	\$3.48
SIB Accrual for 2,000 Hours Worked [2,000 x (g) x 0.87%]	\$62.99/month	\$61.60/month	\$60.55/month

Note that this example does not include possible future increases in the hourly contribution rate under the collective bargaining agreements.

### Three-Year Vesting for Traditional Benefit

As we previously advised, you are vested in your SIB once you earn three years of credited service before incurring a permanent break in service. A permanent break in service occurs if you work fewer than 500 hours per calendar year for five consecutive years.

The Trustees have amended the Plan so that effective January 1, 2017, three-year vesting also applies to the traditional benefit (benefits earned through December 31, 2016).

If you are already vested, this change does not affect you – you remain vested in your traditional benefits and sustainable benefits (if you work in 2017 and after).

If you were not already vested under the five-year vesting rule, you became vested on January 1, 2017 if you had three years of credited service prior to December 31, 2016, and you:

- Did not have a permanent break in service as of December 31, 2016; and
- Did not have a one-year break in service in 2016. A one-year break in service occurred if you failed to work at least 500 hours in 2016. Under the Plan, a one-year break in service results in a temporary forfeiture of benefits. You may still qualify for three-year vesting in the traditional benefit, if you reinstate your previously forfeited rights by earning at least 500 hours in 2017 or a later year prior to incurring a permanent break in service.

If you had fewer than three years of credited service as of December 31, 2016, those years will count toward the new three-year vesting rule provided you do not have a permanent break in service.

If you are vested with three-years of service, you are also vested for purposes of the Qualified Pre-Retirement Survivor Benefit which is payable to your surviving spouse if you die before retirement.

Here are some examples for employees who were not vested with five-years of service as of December 31, 2016.

**Example 1:** If you earn three years of service without a permanent break in service, all of which is for hours worked on or after January 1, 2017, you are vested in the SIB.

**Example 2:** If you have a total of three years of service earned during 2014, 2015, and 2016, you will be vested in your traditional benefit effective January 1, 2017, because there was no permanent break in service as of December 31, 2016, and you did not have a one-year break in service in 2016. You are also vested in any SIB benefits earned on or after January 1, 2017.

**Example 3:** You have a total of three years of service earned during 2009, 2010 and 2011. You then have a permanent break in service effective December 31, 2016 because you worked fewer than 500 hours per year for each of five consecutive years from 2012 through 2016. As a result of the permanent break in service, the three years of service earned during 2009, 2010 and 2011 are permanently forfeited. You will not become vested unless you return to work and earn three-years of service after 2016 without a permanent break in service. If you do earn the three-years of service, you are only vested in the benefits earned following the permanent forfeiture.

**Example 4:** You have a total of three years of service earned during 2013, 2014, and 2015. In 2016, you have a one-year break in service which under the Plan results in a temporary forfeiture of your three years of service. If you return to work and earn at least 500 hours in 2017 or a later year before incurring a permanent break in service, your three years of service earned in 2013, 2014 and 2015 will be reinstated and you will be vested in the traditional benefit earned prior to 2017 and any SIB benefit accrued in 2017 or after.

### **Credited Service Required for Regular Early Retirement and Special Early Retirement Has Been Reduced from Five Years to Three Years Effective January 1, 2017**

Prior to January 1, 2017, you were required to complete five years of credited service to be eligible for Regular Early Retirement or Special Early Retirement at age 55. Effective January 1, 2017, you may qualify for Regular or Special Early Retirement at age 55 with three-years of credited service, provided you did not have a permanent break in service on or before December 31, 2016 before becoming vested with five years of service. In addition, if you forfeited all rights in the Plan due to a one-year break in service in 2016, you must reinstate your previously forfeited rights by earning at least 500 hours in 2017 or a later year before incurring a permanent break in service.

If you have questions about this notice, please contact Retirement Services at Carpenters Trusts: (800) 552-0635 or [pension@ctww.org](mailto:pension@ctww.org).

This notice contains an overview of the changes being made to the Carpenters Retirement Plan of Western Washington. The 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 also constitutes a summary of material modification to the 2012 edition of the plan booklet. A copy of the plan and plan booklet are available at [ctww.org](http://ctww.org). You may also obtain a copy by writing to Carpenters Trusts of Western Washington at PO Box 1929, Seattle, WA 98111-1929.