UA LOCAL 190 PLUMBERS/ PIPEFITTERS/ SERVICE TECHNICIANS/ GAS DISTRIBUTION PENSION PLAN

NOTICE OF PLAN BENEFIT CHANGES

The Plan benefits are being changed to help improve the plan's funding. Here is how these changes may affect you:

- **If your retirement starts after December 31, 2009 and before the Plan emerges from "critical" status, you cannot elect the Social Security Leveling Option. If you retire while you are restricted from electing the Social Security Leveling Option, you will be given a second opportunity to elect that option when and if the Plan emerges from critical status. The earliest that the Plan might be out of critical status is June 1, 2010.**

- **If you earn service after May 31, 2010 and take early retirement, your early retirement benefit will be less for your service after May 31, 2010 than for earlier service.**

- **If you work after May 31, 2010, you will need more hours to get all or part of a Year of Benefit Credit under the plan.**

- **If the effective date of your retirement is after May 31, 2010, the Joint and 100% Survivor Annuity payments will be less than if your retirement is effective before June 1, 2010.**

This notice explains these changes.

The Pension Plan is in what is called the "critical" or "red" zone of underfunding. Federal law requires the Trustees, the Employers and the Union to implement a plan that will improve the plan's funding.

The Trustees considered a number of options when deciding how to deal with this serious situation. The Fund Actuary explained that based on the May 31, 2009 status of the plan, one way to meet the federal law requirements would be to immediately increase contributions to the Pension Fund by an average of $1.70 per hour. After the rate increase that took effect June 1, 2009, contributions would still need to be raised as of June 1, 2009 by an average of another $1.00 per hour, across all classifications.

Another way to meet the federal requirements is to reduce the pension benefit for each future Year of Benefit Credit. To solve the problem with future benefit reductions of this type, the benefit multiplier would have to be lowered from $87 to approximately $39 per future Year of Benefit Credit.

Another way to do this would be to eliminate the disability benefit, eliminate the death benefit feature from the normal retirement benefit, increase the reduction for early retirement on benefit credit earned after May 31, 2010, and increase the reduction for the 100% joint and survivor annuity for benefit credit earned after May 31, 2010. In fact, the government requires these

changes to be the part of the default method of improving the Pension Plan's funding if the employers, the Union and the Trustees are unable to reach agreement on other methods.

The Trustees' goal is to reach a point where the Pension Fund is 100% or more funded. But even after these changes, if nothing more is done, the Actuary estimates that the plan would take more than 10 years to get up to 80% funded.

The Trustees do not want to cut the benefit multiplier or require contributions to be raised immediately by another $1.00 per hour. Nor do the Trustees want to do away with the death benefits or disability benefits. **Instead, the Trustees have come up with a plan that will meet the federal requirements with less drastic changes.** Future pension contribution increases will still be required, but they can be less than would be required without these changes.

Please read the following explanation of these changes carefully.

WHO DECIDED TO MAKE THE PENSION PLAN CHANGES?

The restriction on the Social Security Leveling Option is automatically imposed by the Pension Protection Act of 2006. The Trustees have no control over this change. It is temporary – it only lasts as long as the Plan is in critical status.

The other changes were chosen by the Trustees from a number of options. The Trustees were required to make some combination of changes that is sufficient to get the Plan out of critical status, and these are the changes they chose. These changes are expected to be permanent.

WHAT ARE THE PENSION PLAN CHANGES?

The changes involve restricting the availability of the Social Security Leveling Option, increasing the benefit reduction related to early retirement and the Joint and 100% Survivor Annuity, and increasing the hours needed to get a full Year of Benefit Credit.

WHO IS NOT AFFECTED BY THESE CHANGES?

Members who have already retired will not be affected by the changes unless they return to work. If a retired member returns to work after May 31, 2010, the change from 1,500 hours to 1,800 hours for a full Year of Benefit Credit will affect the rate of additional benefit accrual.

WHICH OF THESE CHANGES APPLY TO ME IF I RETIRE BEFORE JUNE 1, 2010?

Only the unavailability of the Social Security Leveling Option affects members whose retirement effective date is before June 1, 2010, unless they return to work after retirement. If a retired member returns to work after May 31, 2010, the change from 1,500 hours to 1,800 hours for a full Year of Benefit Credit will affect the rate of additional benefit accrual.

WHICH OF THESE CHANGES APPLY TO ME IF I AM NOT ALREADY RETIRED AND DO NOT RETIRE BEFORE JUNE 1, 2010?

If you retire after May 31, 2010 and the Plan is still in critical status when you retire, the Social Security Leveling Option will still be unavailable to you until the Plan is out of critical status.

The changes to early retirement benefits and future service credit calculations affect only benefits relating to future service (hours worked after May 31, 2010). This means that all members who work after May 31, 2010 will be affected by those changes.

The change to the Joint and 100% Survivor Annuity form of benefit will affect everyone who retires after May 31, 2010.

WHAT ARE THE DETAILS OF THE CHANGES?

Change #1. The Social Security Leveling Option cannot be elected while the Plan is in critical status.

While a plan is in critical status, Federal law prohibits the payment of any form of benefit that pays benefits faster than they would be paid if you retired and elected the Life Annuity With 120 Guaranteed Payments. The Social Security Leveling Option pays larger payments between the time you retire and the time you are eligible for Social Security and smaller payments after Social Security starts. This would violate this rule, so it cannot be elected until the Plan is certified to no longer be in critical status.

The Trustees recognize that the Social Security Leveling Option is a valuable feature of the Plan. They have decided that when the Plan emerges from critical status, anyone who retired while the Plan was in critical status will be notified that they can, for a limited period of time, elect to convert their method of payment from whichever option they chose to that same option with the Social Security Leveling feature. For example, if someone retires effective May 1, 2010 and selects the Joint and 100% Survivor Annuity option, and the Plan is later certified to not be critical before that member reaches Social Security eligibility, the member will be notified and will have a limited time to convert to the Joint and 100% Survivor Annuity with Social Security Leveling Option. If the member is married at that time, the member's spouse would be required to consent to that election.

The next certification of the Plan's funding status occurs as of June 1, 2010, so this is the earliest possible date that the Plan <u>might</u> no longer be in critical status.

Change # 2. The early retirement reduction is increased, for future accruals only - effective for credited service earned after May 31, 2010.

Actuaries have methods for calculating benefits that are equal in value. When a pension starts early, but will continue for the member's lifetime, the actuary does a calculation to figure out how much lower the monthly pension should be. This calculation is designed to make sure the total amount paid over time will be considered equal in value to the amount that would be paid if you waited until age 60 to start your pension. **The monthly early retirement pension the**

actuary considers to have the same value as the normal pension is considered "actuarially equivalent" to the normal retirement pension.

Our plan does not go through this calculation currently. Instead, our plan actually reduces the early retirement pension less than is necessary to make the early pension equivalent to the normal pension. This means that the early retirement benefit has extra value added to it.

Currently, when a member retires early (on or after age 55 but before age 60), the monthly benefit that would be payable at age 60 is reduced by 1/360th for each month that the member retires before age 60. This is a reduction of 3.33% per year, or a total reduction of 16.66% for the full 5 years.

This is not enough of a reduction to make up for the five extra years of payments. This means that the early retirement benefit is currently considered more valuable than the normal retirement benefit. Pension plans will sometimes make early retirement benefits more valuable to encourage people to retire earlier. Our plan currently does this.

To help improve the Fund's funding status, this extra value is being eliminated **for future service only. Effective only for Years of Benefit Credit earned after May 31, 2010, the normal retirement benefit will be reduced by 1/200th (1/2%) for each month that an early retirement benefit starts before age 60.** The reduction is almost twice the current reduction; for a full 5 years (age 55 early retirement), the reduction is 30% instead of 16.66%.

This means that for members who earn service after May 31, 2010 and take early retirement, the early retirement benefit will be calculated in two steps. Here is an example of how this will work:

Example: P, who is 45 and whose birthday is June 1, has 20 Years of Benefit Credit on May 31, 2010. P works 10 more years and on June 1, 2020, P elects early retirement with 30 Years of Benefit Credit. P is age 55 on June 1, 2020, so P is retiring 60 months early. Assume the benefit multiplier is still $87 per year. P's early retirement benefit is calculated as follows:

A. Service before June 1, 2010

20 years X $87 = $1,740	**$1,740**	
Benefit Reduction: 60 months X 1/360 = 60/360 X $1,740 = $290	**- $290**	
Early Retirement Benefit for Years of Benefit Credit before June 1, 2010	**$1,450**	
		A. $1,450

B. Service after May 31, 2010

10 years X $87 = $870	**$ 870**

Benefit Reduction: 60 months X 1/200 = 60/200 X $870 = $261 **- $261**

Early Retirement Benefit for Years of Benefit Credit after May 31, 2010 **$ 609**

B. + $ 609

Total (A + B) **$ 2,059**

Note that if this change did not occur, the reduction for the last 10 Years of Benefit Credit would be $145 rather than $261, so **the effect of the change on P is to reduce his early retirement benefit by $116 per month.**

Here is a table showing the difference in early retirement benefits for Years of Benefit Credit earned after May 31, 2010, assuming the normal retirement benefit level is $87 per Years of Benefit Credit:

Benefit Reduction Based on $87 Normal Retirement Benefit per Year of Benefit Credit

Reduction per year:	Service Credited Before 6/1/2010	Service Credited After 5/31/2010
For each month before age 60	24 cents per year	44 cents per year
For each year before age 60	$2.90 per year	$5.22 per year
If you retire 2 years early	$5.80 per year	$10.44 per year
If you retire 3 years early	$8.70 per year	$15.66 per year
If you retire 4 years early	$11.60 per year	$20.88 per year
If you retire 5 years early	$14.50 per year	$26.10 per year

Change # 3. A full Year of Benefit Credit will require 1,800 hours instead of 1,500 hours at the highest contribution rate - Effective June 1, 2010.

Currently, there are two steps for determining how much of a Year of Benefit Credit is you earn for a year.

First, you must work a minimum of 375 hours in the Plan Year (June 1 - May 31) to get any credit, regardless of how much is contributed for the hours you work. If you work less than 375 hours, you get no credit for the Plan Year.
Second, we add up 125 hours of contributions at the highest contribution rate paid into the Pension Fund for each month of the whole Plan Year (for a total of 1,500 hours for the full Plan Year). This is done on a monthly basis because sometimes the highest rate changes partway

through the year. Then, your total contributions for the Plan Year are divided by this number. The result is rounded to the nearest 1/10 of a year, and may be greater than 1.0. The highest contribution rate is currently $9.13 per hour.

Effective June 1, 2010, a Year of Benefit Credit will be defined using 150 hours per month at the highest rate, for a total of 1,800 hours per year, rather than 125 hours per month.

The following table demonstrates this change by showing the amount of contributions needed to get different fractions of a Year of Benefit Credit before and after this change, assuming the highest contribution rate is $9.13 per hour for each month of the Plan Year:

Contribution Credit Needed to Get Different Fractions of a Year of Benefit Credit

Portion of Year of Benefit Credit	Contributions Needed In Plan Year Before June 1, 2010	Contributions Needed In Plan Year After May 31, 2010	Difference
.1	$684.75	$821.70	$136.95
.2	$2,054.25	$2,465.10	$410.85
.3	$3,423.75	$4,108.50	$684.75
.4	$4,793.25	$5,751.90	$958.65
.5	$6,162.75	$7,395.30	$1,232.55
.6	$7,532.25	$9,038.70	$1,506.45
.7	$8,901.75	$10,682.10	$1,780.35
.8	$10,271.25	$12,325.50	$2,054.25
.9	$11,640.75	$13,968.90	$2,328.15
1.0	$13,010.25	$15,612.30	$2,602.05
1.1	$14,379.75	$17,255.70	$2,875.95

With the highest hourly rate at $9.13 per hour, this change would require you to earn $273.90 of additional contributions for each one-tenth of a Year of Benefit Credit after the first one-tenth of a year, compared to the rule before this change.

To determine how this will affect you, divide the new dollar amount for each portion of a Year of Benefit Credit in the table by your contribution rate, and that will tell you how many hours you need to get that much service.

Example 1: A Building Trades Journeyman who worked 1,500 hours in the current Plan Year will get 1 Year of Benefit Credit. A Building Trades Journeyman who works only 1,500 hours in the Plan Year beginning June 1, 2010 will get .8 Years of Benefit Credit. With rounding, a Building Trades Journeyman would need to work 1,710 hours in the Plan Year beginning June 1, 2010 to get a full Year of Benefit Credit for that year.

Example 2: A Michigan Distribution Zone 2 Journeyman Installer who worked 1,500 hours in the current Plan Year will get .3 Years of Benefit Credit. A Michigan Distribution Zone 2

Journeyman Installer who works only 1,500 hours in the Plan Year beginning June 1, 2010 will get .2 Years of Benefit Credit. With rounding, a Michigan Distribution Zone 2 Journeyman Installer would need to work 1,593 hours in the Plan Year beginning June 1, 2010 to get .3 Years of Benefit Credit for that year.

Change # 4. The Joint and Survivor Pension Reduction Will Increase and the Joint and Survivor Annuity Will Be Actuarially Equivalent to the Normal Retirement Benefit-Effective Date June 1, 2010.

When a member elects to have pension payments made over two lifetimes, the monthly pension payment is reduced. This happens for the same reason that early retirement pensions are reduced - because the pension payments might be stretched over a longer time period.

Currently, the plan allows a retiree to elect a Joint and 100% Survivor Annuity. The monthly payments for both lifetimes are reduced when this election is made. After the member's death, 100% of the payment continues for the survivor (usually the spouse). The initial reduction to make up for the extra death benefits is determined as if the payments made after the member's death are cut in half - a 50% survivor pension, even though the payments after the member's death are not cut at all. **This reduction is not enough to make up for the extra pension payments that continue after the member's death.**

For example, when a member with a spouse the same age retires at age 60 and chooses to take the Joint and 100% Survivor Annuity form rather than the 10 Year Certain Guaranteed Life Annuity form of pension, the current reduction is 3.1%. If the reduction were calculated by the actuary using a method designed to determine equivalent value, the reduction would actually be 10.6%. The 7.5% difference between the current reduction and the actuarially equivalent "true" reduction is **extra value.**

On June 1, 2010, the Joint and 100% Survivor Annuity reduction will change from the current use of the Joint and 50% Survivor reduction to a true Joint and 100% Survivor reduction. The effect of this will vary depending on the relative ages of the member and the person receiving the survivor benefit. As stated above, if the two people are the same age, and retirement occurs at age 60, the difference is approximately 7.5%. From age 55 to age 65, when the member and survivor are the same age, the new reduction will range from 6% to 9% higher. The effect may be even greater if there is a difference between the member's age and the survivor's age. If you want to know how much this change will affect you and the person who you expect to get your Joint and Survivor death benefit, please contact the Fund Office, which can tell you the exact reduction under the new rules.

The Fund will also start offering a Joint and 50% Survivor Annuity and a Joint and 75% Survivor Annuity when this change occurs. These have not been offered previously because the reduction would have been the same or worse than the current Joint and 100% Survivor form, but the survivor benefit would have been only 50% or 75% of the payment made during the member's lifetime. Once the 100% Survivor Annuity is reduced more, the 75% and 50% options may be

attractive, because the initial reduction during the member's lifetime will be smaller than for the 100% Survivor benefit option.

Example. Member P retires at age 60 on May 1, 2010. P's spouse, S, is also age 60 at that time. P has 23 Years of Benefit Credit. If P elects the 10 Year Certain Guaranteed Life Annuity benefit, P's benefit will be $2,001 per month.

P elects the Joint and 100% Survivor Annuity benefit. Under the plan before this change, P's monthly payments are reduced from $2,001 to $1,939 (a 3.1% reduction). If P dies before S, S will continue to receive $1,939 for the rest of S's life, 100% of the amount payable during P's life.

Assume further that P waits until after May 31, 2010 to retire. If P elects the Joint and 100% Survivor Annuity at that time, P's monthly payments are reduced from $2,001 to $1,789 (a 10.6% reduction). If P dies before S, S will continue to receive $1,789 for the rest of S's life. For both of the lifetimes of P and S, they will receive $150 less each month after this change than they would have received if P elected to retire before the change.

Note that after the change, P will also have the option of taking a Joint and 50% Survivor Annuity. If P elects this option, P's monthly payment will be reduced from $2,001 to $1,939 (a 3.1% reduction). This is the same reduction as applies to the Joint and 100% Survivor Annuity before the change takes effect because before the change, the Joint and 100% Survivor Annuity is calculated as if it is a Joint and 50% Survivor Annuity. **But after the change, there is a big difference if P dies before S:** S will continue to receive monthly payments, but they will be reduced to 50% of the amount that was paid during P's lifetime, or $970 per month.

CONCLUSION

The Trustees consider their responsibility for your pension to be a sacred trust. You worked hard to earn your pension and you deserve the best retirement benefit the Plan can afford. We are taking appropriate action to ensure that retirement benefits will be there when you need them. This requires adjusting some of the extra benefits that have been provided previously. The basic benefits are still in place, and with these few changes, the Trustees believe that the plan will gradually return to a stronger footing.

WHO SHOULD I CONTACT IF I HAVE QUESTIONS?

Contact Thomas Hayden, Administrative Manager, at the Fund Office - 33035 Schoolcraft Road, Livonia, MI 48150, (888) 390-7473.