Shopmen's Iron Workers

Health Benefit and Pension Plans

Local Union #502

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TO: Participants of the Shopmen's Local Union No. 502 Pension Fund

Alternate Payees of the Shopmen's Local Union No. 502 Pension Fund under a Qualified Domestic Relations Order ("QDRO")

Shopmen's Local Union No. 502, International Association of Bridge, Structural and Ornamental Iron Workers, AFL-CIO

FROM: Board of Trustees

DATE: May 1, 2017

NOTICE OF REDUCTION IN BENEFITS UNDER THE DEFAULT SCHEDULE SHOPMEN'S LOCAL UNION NO. 502 PENSION FUND

Plan Status

Section 305(b) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 432(b) of the Internal Revenue Code of 1986, as amended (the "Code") require the actuary of the Shopmen's Local Union No. 502 Pension Fund (the "Pension Plan") to determine annually the Pension Plan's financial health under standards set forth in the law. This letter follows a notice that was sent to you indicating that the Pension Plan's actuary certified to the U.S. Department of the Treasury that the Pension Plan is in endangered status (also referred to as "Yellow Zone" status) for the Plan Year beginning January 1, 2017. That notice also stated that because the Pension Plan is projected to be in "critical status" (also referred to as "Red Zone" status) within the succeeding five plan years, the Pension Plan elected to be in critical status as permitted under ERISA §305(b)(4) and Code §432(b)(4).

Rehabilitation Plan

As required by ERISA and the Code, the Board of Trustees adopted a Rehabilitation Plan for the Pension Plan. The Rehabilitation Plan includes schedules of employer contribution increases and/or changes to the benefits payable to participants upon retirement in order to enable the Pension Plan to emerge from critical status.

Following is a description of a reduction in Pension Plan benefits under the Rehabilitation Plan's **Default Schedule** applicable to you. You should take the time to read this notice carefully. It is very important that you retain this notice with your copy of the Pension Plan's Summary Plan Description. If you lost or misplaced your copy of the Summary Plan Description, please contact the Fund Office and we will furnish you with another copy.

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CHANGES TO BENEFITS UNDER THE DEFAULT SCHEDULE OF THE REHABILITATION PLAN

Unless otherwise noted, these benefit changes under the Default Schedule of the Rehabilitation Plan will be effective on the later of the date of this notice and the date the Default Schedule is imposed on or adopted by your employer. You should review this section carefully. Please contact the Fund Office if you have any questions about this.

Default Schedule

The following are the changes to the Pension Plan's current benefits prescribed under the Default Schedule. The Default schedule makes changes to the benefits of all Participants to which it applies. Examples illustrate the effect of the changes on the amount of your accrued monthly pension, commencing at your Normal Retirement Date and payable for your lifetime thereafter. If your employment and service are different than those indicated below, then the accrued monthly pension shown would be different.

1. **Future Benefit Accrual Rate:** Under the terms of the Pension Plan, your monthly benefit at retirement is determined based on the sum of your Past Benefit Accrual Service (if you worked prior to 1982) plus your Future Benefit Accrual Service. The Future Benefit Accrual Service earned in each year is multiplied by the accrual rate in effect for that year. For years beginning on and after January 1, 2009, the basic accrual rate has been $75.00 for each year of Future Benefit Accrual Service.

   Under the Default Schedule, beginning on the later of the date of this notice and the date the Default Schedule is imposed on or adopted by your employer, the basic accrual rate will be based on a formula as follows: the hourly employer contribution rate under the collective bargaining agreement or other agreement in effect as of January 1, 2017, multiplied by 2,150 hours, multiplied by 1%; OR if lower, the applicable Monthly Benefit Multiplier for the Participant under the Pension Plan provisions as of January 1, 2017 (generally $75.00). So if you were to return to covered employment on and after June 1, 2017, your accrual rate would be approximately $58.70 since your employer's required contribution was $2.73 per hour as of January 1, 2017.

   Example:
   For example, assume you worked in covered employment at least 1,600 hours each year for seven years and you retired at age 65 on January 1, 2019. Your employer adopted the Default Schedule on August 1, 2017. Your accrued benefit will be calculated assuming your employer's required contribution rate was $2.73 per hour as of January 1, 2017 (applicable accrual rate is $58.70 on and after August 1, 2017) and assuming that you earned ½ of a Year of Benefit Accrual Service from January 1, 2017 through July 31, 2017 and ½ of a Year of Benefit Accrual Service from August 1, 2017 through December 31, 2017, as follows:

Years of Service	Years	TIMES Accrual Rate	Benefit Per Month
1/1/2012 – 12/31/2012	1	$75.00	$75.00
1/1/2013 – 12/31/2013	1	$75.00	$75.00
1/1/2014 – 12/31/2014	1	$75.00	$75.00
1/1/2015 – 12/31/2015	1	$75.00	$75.00
1/1/2016 – 12/31/2016	1	$75.00	$75.00
1/1/2017 – 7/31/2017	.5	$75.00	$37.50
8/1/2017 – 12/31/2017	.5	$58.70	$29.35
1/1/2018 – 12/31/2018	1	$58.70	$58.70
Total	7		**Total Monthly Benefit $500.55**

The sum of the figures in the "Benefit Per Month" column total a monthly benefit of **$500.55** before any reduction for the Joint and Survivor Pension.

Had the yearly accrual rate remained at $75.00, your accrued benefit in the above example would have been $525.00 ($75.00 x 7 Years) instead of $500.55.

2. **Early Retirement**: The Pension Plan now allows you to commence benefit payments prior to your Normal Retirement Date if you meet certain eligibility requirements under the Pension Plan.

   <u>Under the Default Schedule, all early retirement benefits are eliminated for pension benefit payments that begin on the later of the date of this notice and the date the Default Schedule is imposed on or adopted by your employer.</u> This means that all benefits under the Pension Plan will be first payable at Normal Retirement Age.

   <u>Example</u>: Pete's employer adopted the Default Schedule on August 1, 2017. As of September 1, 2017, Pete is age 55 with five Years of Vested Credited Service and an accrued benefit of $375.00. Under the current plan, Pete would be eligible to retire in 2017 and his accrued benefit would be reduced, for early retirement, to be $172.50 per month. If Pete had decided to wait until age 65 to retire, his Normal Retirement Benefit would be $375.00 per month payable in the year 2027.

   However, under the Default Schedule, Pete will not be able to begin receiving his benefit for another 10 years, at his Normal Retirement Age of 65.

3. **Disability Retirement**: The current rule under the Pension Plan provided that if you were an active employee working in covered employment, you had completed at least seven and one-half Years of Vested Credited Service and became disabled, you would be eligible to commence payment of a Disability Pension.

   <u>Under the Default Schedule, the Disability Pension is eliminated. However, if you are already receiving benefits under a Disability Pension, your benefits will not be affected.</u>

   <u>Example</u>: Tom becomes Totally and Permanently Disabled at age 40. He has 7.5 Years of Vested Credited Service. Tom has accrued a monthly benefit of $562.50. Under the current Pension Plan rule, Tom would have been eligible to receive $562.50 payable immediately.

   <u>Under the Default Schedule, he must wait until his Normal Retirement Date to collect his $562.50 monthly benefit.</u>

4. **5-Year Guarantee of Pension Payments:** Under the Pension Plan, if a single Pensioner who is receiving a Normal, Early Retirement, Disability or Severance/Deferred Pension, or a married Participant who rejected the Joint-and-Survivor Pension, dies before receiving 60 monthly payments, the Pensioner's named Beneficiary will continue to receive the full monthly payments until a total of 60 monthly payments have been made, counting payments to both the Pensioner and to the Beneficiary.

   <u>Under the Default Schedule, payments will no longer be made under this option after the Participant dies.</u>

   <u>Example:</u> Sawyer's employer adopted the Default Schedule on August 1, 2017. Sawyer retired September 1, 2017. He dies after receiving 16 monthly payments of $1,000.00. Under the current plan rules his spouse or dependent would have received $1,000.00 per month for 44 months (i.e., 60 minus 16).

   <u>Under the Default schedule, neither his spouse nor dependents would receive a benefit after his death.</u>

5. **Joint and Survivor Pension Before Retirement**: Under the Plan, if you die after becoming eligible for a deferred vested pension, your pension will be paid to your surviving spouse in the form of a Pre-Retirement Surviving Spouse Pension on the earliest possible date that you could have retired had you lived, provided you and your spouse were married for at least one year at the time of your death.

   Under the Default Schedule, payments will no longer be on the earliest possible date that you could have retired, but instead will begin when you would have reached your 65th birthday.

   Example: Llewellyn passes away in December 2017 at age 55 with 20 Years of Benefit Accrual Service, and an accrued benefit of $1,000.00. Llewellyn is married and his spouse is age 50. Under the current rules, his spouse would have been eligible to begin receiving 50% or 75% of his accrued benefit immediately beginning January 1, 2018.

   Under the Default Schedule, his spouse must wait 10 years to begin receiving benefits (i.e., when Llewellyn would have reached age 65). The benefit to his spouse would then be 50% or 75% of his benefit reduced for the Joint and Survivor coverage.

6. **Joint and Survivor Forms of Payment Subsidies:** Under the Default Schedule, all subsidies are eliminated for the 50% and 75% Joint and Survivor forms of payment, including for the Pop-Up forms of payment.

   Example: Otto is retiring on his Normal Retirement Date January 1, 2018 and elected the 75% Joint and Survivor annuity with Pop-Up form of payment, with his spouse as beneficiary. Otto is age 65 and his spouse is also age 65. His Normal Retirement Benefit is $1,000.00 per month.

   Under the current Pension Plan rule, Otto's benefit would be reduced to $890.00, and his spouse would receive 75% of that amount, $667.50 per month for as long as she lives, after he dies. Otto's wife passes away in December 2018. Beginning January 2019, his benefit will pop-up to $1,000.00 per month.

   Under the Default schedule, Otto's benefit, if he chooses the 75% Joint and Survivor Annuity would be reduced to $840.00. Otto would receive $840.00 per month and after he dies his spouse would receive 75% of that amount, which is $630.00 per month for as long as she lives. If his spouse dies before him, his benefit will pop-up to $1,000.00 per month.

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This Notice is being provided to you in accordance with ERISA §204(h) and Code §432 and §4980F.

You should retain this notice with your copy of the Pension Plan's Summary Plan Description (together with any summaries of material modifications, the "SPD"), since this notice modifies the SPD. If you lost or misplaced your copy of the SPD, please contact the Fund Office, and we will furnish you with another copy. We know this information is important to you and encourage you to contact the Fund Office if you have any questions.

This notice does not cover all details of the Pension Plan or its operation. It is not intended to be a summary plan description or the basis upon which you make financial decisions. The terms of the Pension Plan govern all benefits and eligibility. In the event of any discrepancy between this notice and the Pension Plan document, the Pension Plan document will always govern. In addition, the Board of Trustees of the Shopmen's Local Union No. 502 Pension Fund reserves the right to amend or terminate the Pension Plan at any time.

WHAT ARE MY RIGHTS UNDER THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974?

As a participant in the Shopmen's Local No. 502 Pension Fund (Plan), you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

Receive Information About Your Plan and Benefits

Examine, without charge, at the Fund Office, and at other specified locations, such as worksites and union halls, all documents governing the plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

Receive a notice of the Plan's funded status. The Plan Administrator is required by law to furnish each Participant with a copy of this annual funding notice.

Obtain a statement telling you whether you have a right to receive a pension at normal retirement age (generally age 65) and, if so, what your benefits would be at normal retirement age if you stop working under the Plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every 12 months. The Plan must provide the statement free of charge.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefits plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a pension benefit is denied or ignored, in whole or in part, you have the right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator.

If you have a claim for benefits, which is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contract the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the Publications hotline of the Employee Benefits Security Administration.

DEFAULT SCHEDULE

Benefits

The following benefit changes shall take effect under this Schedule after the later of the date the Default Schedule is adopted or imposed and the date that that is 30 days after all legally required benefit reduction notices have been provided:

- With respect to monthly benefit accruals, if any, earned after the implementation of this Schedule, the applicable Monthly Benefit Multiplier shall be equal to:
  - A. the product of
    1) the required Employer hourly contribution rate under the collective bargaining agreement or other agreement in effect as of January 1, 2017 that covers the Participant,
    2) 2,150 hours, and
    3) 1.00%, or
  - B. if lower, the applicable Monthly Benefit Multiplier for the Participant under the Plan provisions as of January 1, 2017

- Any additional contributions specifically required by this Schedule shall not be credited toward benefit accruals nor shall be recognized in determining the applicable Monthly Benefit Multiplier. In no event shall the Monthly Benefit Multiplier exceed that which would have been applicable based on the plan provisions and collective bargaining terms in effect as of January 1, 2017.

- The Early Retirement Benefit, as described in Pension Plan Article III, Section 3.4, is eliminated.

- The Disability Benefit is eliminated for all Participants that have not already (before implementation of this Schedule) satisfied all applicable eligibility requirements as described in Pension Plan Article III, Section 3.5.

- The Lump Sum Death Benefit before retirement under Plan Article III, Section 3.7, is eliminated.

- No Joint-and-Survivor Pension Before Retirement under Pension Plan Article V, Section 5.3 shall commence earlier than the date that would have been the Participant's 65th birthday.

- The 60-Month Guarantee under Pension Plan Article III, Section 3.8 is eliminated.

- The subsidies in the 50% and 75% Joint-and-Survivor forms of payment and in the 50% and 75% Joint-and-Survivor with Pop-Up Option forms of payment are eliminated. These forms of payment will be actuarially reduced to be equivalent to a life annuity. The basis for actuarial equivalence shall be reviewed periodically and, if appropriate, updated.

DEFAULT SCHEDULE

Contributions

Under this Default Schedule, the hourly employer contribution rate shall increase as follows:

Effective August 1:	Hourly Contribution Rate:
2017	$3.10

If the Default Schedule is elected after August 1, 2017, the contribution rate shown above is subject to change.

Because the Trustees are required by ERISA and the Code to review the progress of their Rehabilitation Plan each year and to update the Rehabilitation Plan and Schedules if necessary, benefit reductions and contribution rates specified in this Schedule as applicable in future years are subject to change, except with respect to a CBA or MOA negotiated in reliance on this Schedule.