



YOUR PAMCAH-UA LOCAL 675 PENSION

Building Secure Income for Your Retirement

August 2019



Today's agenda

- Pension plan basics
 - How the pension plan works
 - Background/history/context
- Funding challenges
- Changes ahead
- Your resources
- Q&A



Pension Plan Basics



What's a defined benefit pension plan?

- Provides a set, steady monthly income for life after retirement
- Your monthly pension benefit is based on a formula
- Receive your monthly pension benefit for the rest of your life
- When you die, your eligible surviving spouse may receive a portion of your pension benefit for the rest of his or her life

Your retirement income

Your pension is an important source of your retirement income



How your pension benefit is calculated

1. Each year, the plan calculates...



2. We add it up for all the years you earned a benefit; this equals your monthly pension benefit



How you earn a “benefit unit”

- You earn one benefit unit for each plan credit year in which you work 1,600 hours
- **Plan credit year** = September 1 through August 31
- You may earn fractional benefit units by working at least 500 hours per plan credit year



The dollar value of a benefit unit

- Every year, the Pension Fund's Board of Trustees sets the dollar value for a benefit unit
- **Current pension plan rules:** benefit unit dollar value is \$48 (to start)
- Trustees may adjust benefit unit value up from \$48 each year, based on:
 - Plan investment performance
 - The value of **contributions** coming into the plan compared to the value of **benefits earned** and paid to members

Historical benefit unit dollar values

Benefit Units Earned In This Time Period	Benefit Unit Dollar Value
Before September 1, 2012	\$167
September 1, 2012 through August 31, 2016	\$150
September 1, 2016 through August 31, 2017	\$130
September 1, 2017 through August 31, 2018	\$100
September 1, 2018 through August 31, 2019	\$100



A sample calculation...

For someone retiring this Fall with 25 years of service

Time Period	Benefit Units Earned	Benefit Unit Dollar Value	Monthly Pension Benefit Earned
Before September 1, 2012	19	\$167	\$3,173
September 1, 2012 through August 31, 2016	3	\$150	\$450
September 1, 2016 through August 31, 2017	1	\$130	\$130
September 1, 2017 through August 31, 2018	1	\$100	\$100
September 1, 2018 through August 31, 2019	1	\$100	\$100
Monthly Pension Benefit at Retirement			\$3,953



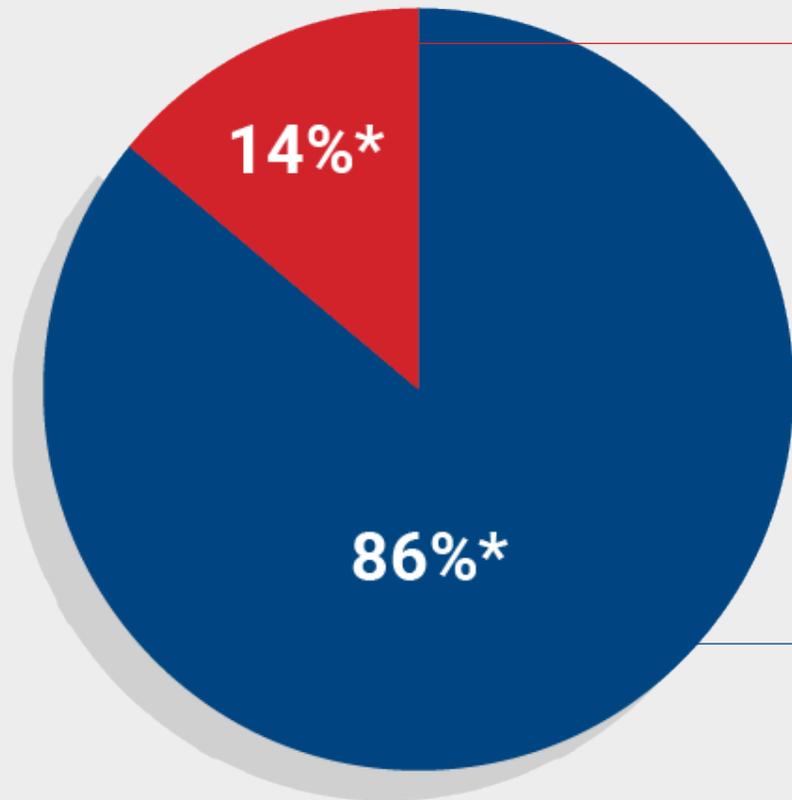
The benefits you earn are yours to keep, unless...

- In most cases, once you earn a benefit unit and associated dollar value, it goes into the benefit you're entitled to receive at retirement
- But, if the plan's funds fall short or the plan runs out of money, your benefit may be reduced



Pension Plan Funding Challenges

How your pension benefit is funded



Employer contributions

make up a small part of the money available to pay benefits

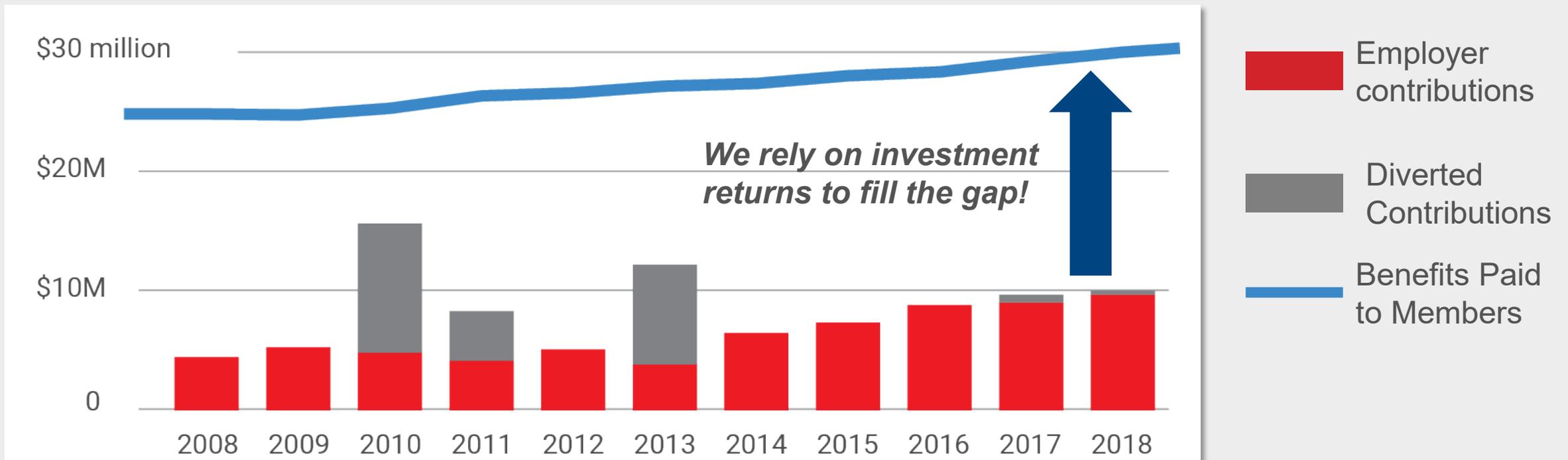
Average annual employer contribution per journeyman in 2018 was \$8,058.00

Plan investment returns

make up most of the money available to pay benefits

*Average from 2010 - 2018

Employer contributions and benefits paid



Keeping our plan in “the green”

U.S. federal government:

- Sets pension plan rules
- Measures plan’s funding status
- Three funding “zones” – we want to stay “in the green”
- Our plan is “green” for 2019 – 2020



GREEN ZONE:

Plan funding is looking good.



YELLOW ZONE:

The plan is considered “endangered.” We must implement an action plan to improve funding.



RED ZONE:

The plan is considered in “critical” danger. The government requires significant changes or reductions to improve funding.



Critical challenges facing our pension plan

- Make appropriate trade-offs to maintain benefit unit dollar values higher than \$48
- Plan for our members to live longer and make sure the plan's income keeps pace with benefits earned and paid
- Closely watch and manage our investment returns

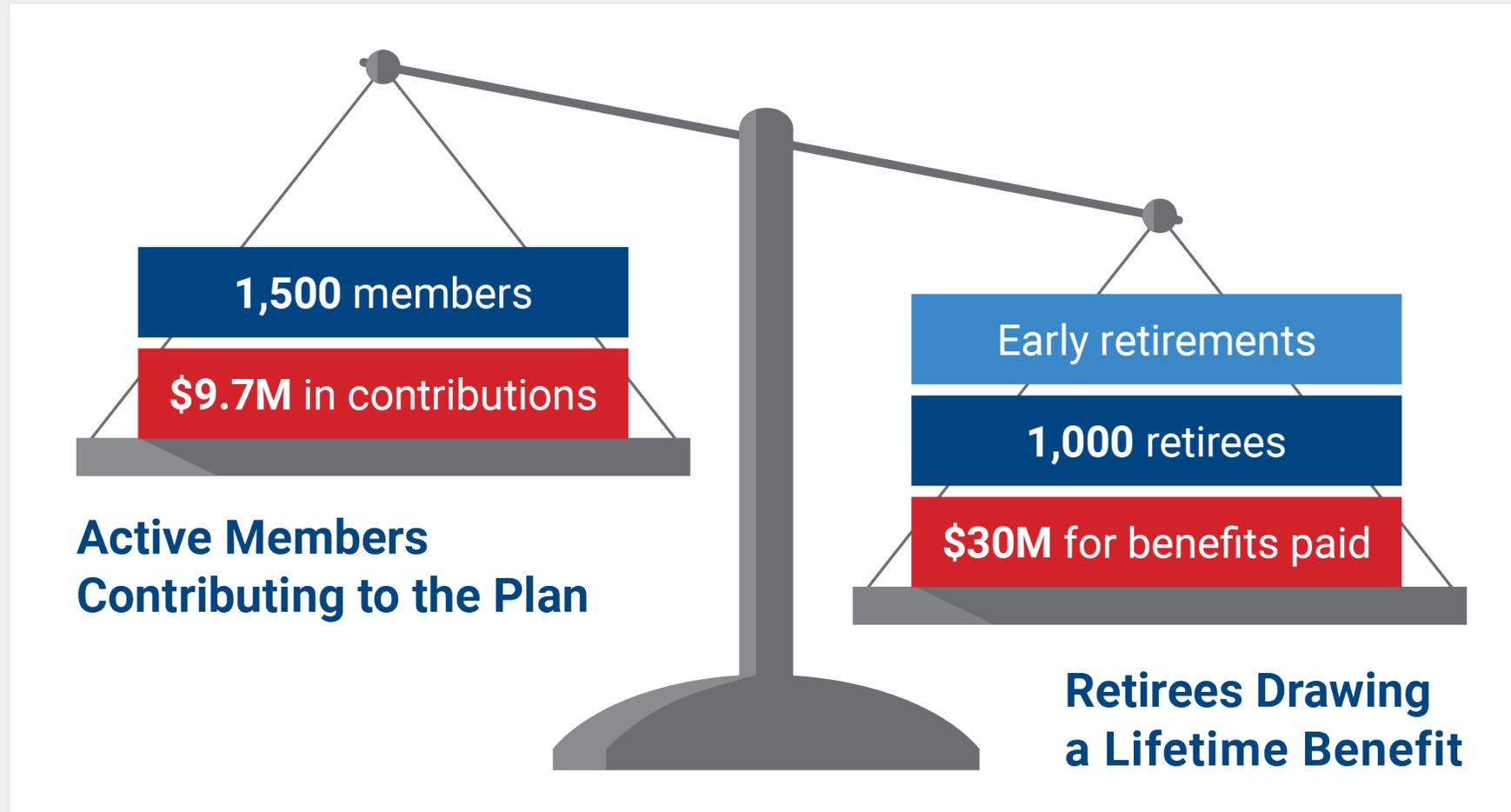
Our challenge: Make appropriate trade-offs to maintain higher Benefit Unit Dollar Values

\$48
Benefit Unit
Dollar Value

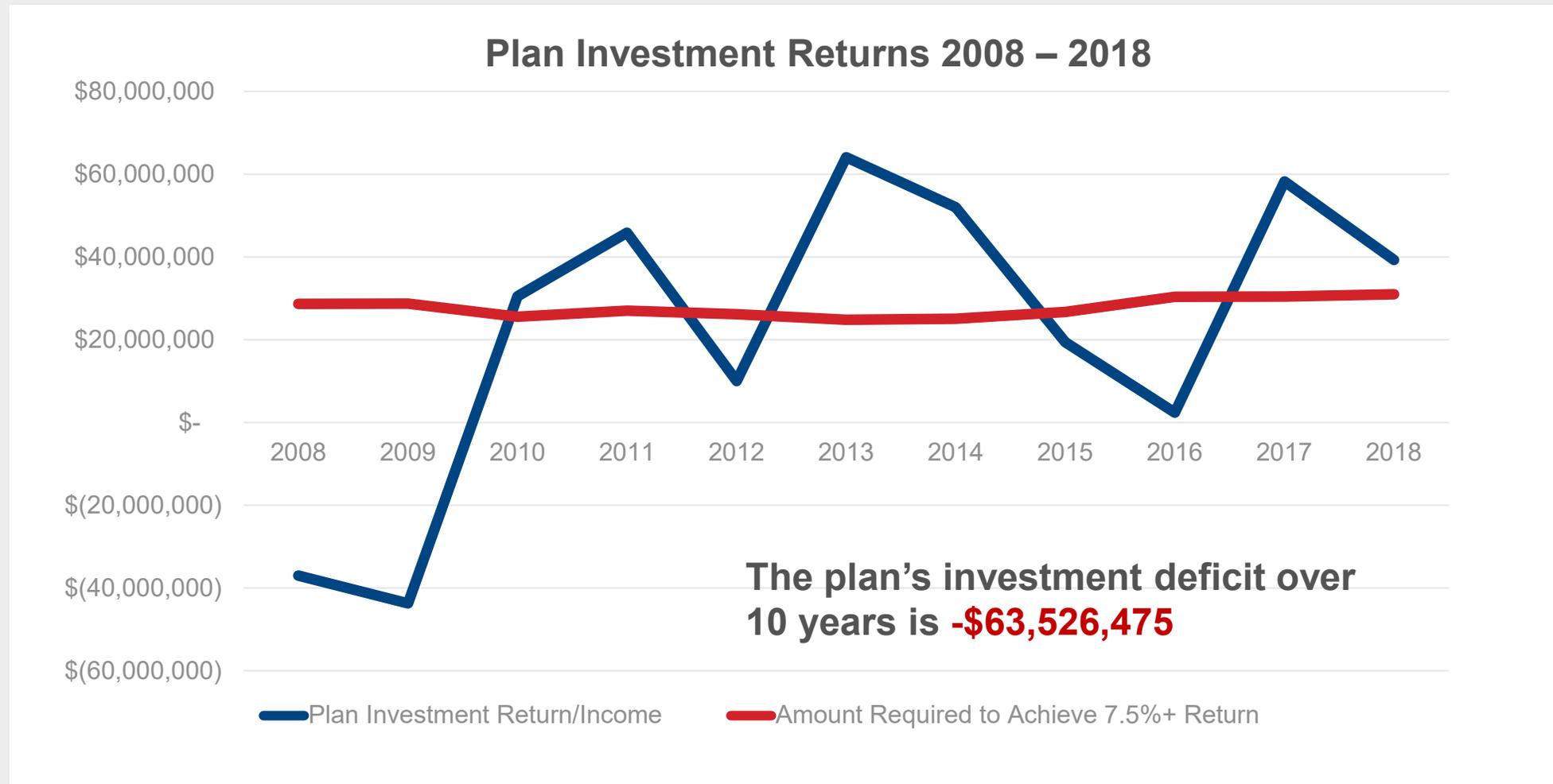
\$100
Benefit Unit
Dollar Value

- Higher Benefit Unit Dollar Values mean richer benefits for members
- They also mean increasing expenses for the plan
- Plan changes needed to sustain higher benefits earned

Our challenge: Making sure the plan's income keeps pace with benefits earned



Our challenge: Relying on investment returns to fund benefits is a big risk we must closely manage





Looking Ahead



Looking ahead

- We will strike an appropriate balance between the following:
 - Reducing and keeping our costs in check
 - Increasing the amount of money coming into the plan
- We will also ask employers to increase Annuity fringes to boost members retirement savings



Plan Changes – September 1, 2019

- **Elimination of Disability Pension benefit**

- This is a “going forward” change from September 1, 2019
- No change for members currently receiving a disability pension
- Those who apply before September 1, 2019, and the Social Security Administration deems entitled to a Social Security disability benefit prior to September 1, 2019, remain eligible
- As of September 1, 2019, and after, the plan will no longer award Disability Pensions



Plan Changes – September 1, 2019

- **Reduction to post-retirement death benefits**
 - We will adjust the formula used to calculate the lump sum death benefit
 - The benefit will be calculated at \$175 times the number of benefit units earned by a member (instead of \$350)
 - Also, the benefit units included in the calculation cannot exceed 35 units
 - The maximum lump sum death benefit payment will now be \$6,125

Plan Changes – September 1, 2019

• Reductions to Service Pension early retirement benefits (before age 55)

1

For benefits accrued before 9/1/18

There is no change to this part of your benefit. Your benefit retains its current formula and value.

2

For benefits accrued between 9/1/18 and 9/1/19

This part of your benefit is reduced by 2% for each year you are younger than age 60

3

For benefits accrued on or after 9/1/19

This part of your benefit is reduced by:

- 3% for each year you are between age 55 to 60

PLUS

- An additional 6% for each year you are younger than age 55

Example: Early Retirement Benefit Reductions

1

For benefits accrued before 9/1/18

There is no change. Your benefit earned before 9/1/18 retains its current formula and value.

2

For benefits accrued between 9/1/18 and 9/1/19

If you retire at age 53, your benefit amount earned between 9/1/18 – 9/1/19 is reduced by 14% (2% x 7 years)

3

For benefits accrued on or after 9/1/19

If you retire at age 53, your benefit amount earned on or after 9/1/19 is reduced by:

- 15% (3% x 5 years)

PLUS

- An additional 12% (6% x 2 years)

For a total reduction of 27%!

Changes to Health and Welfare Rate Subsidy – January 1, 2020

- **Rate subsidy will decrease for retired bargained participants younger than age 55**

Years of Service	Plan Change
30+ years of service	Rate subsidy reduced from 60% to 40%
25 – 29 years of service	Rate subsidy reduced from 40% to 20%



Additional Proposed Changes:

Subject to approval by employers and members

- **Proposed by the Trustees:**
 - Additional employer contributions to the pension plan for the Step 1 and 2 Apprentices
 - Additional employer contributions to the Annuity Fund
 - Contribution reallocations from the Cooperation Fund, Training Fund, Vacation & Holiday Operating Fund
 - Union Dues allocated to the pension plan

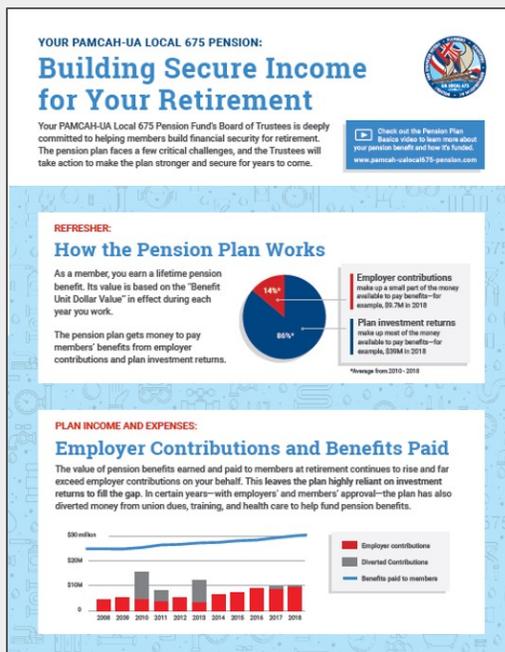
The background is a light blue field filled with a repeating pattern of white line-art icons. These icons represent various plumbing and maintenance tasks, including faucets, pipes, wrenches, gloves, goggles, and water droplets. The number '675' is also scattered throughout the pattern.

Your Resources

Your resources

Pension plan website

www.pamcah-ualocal675-pension.com



YOUR PAMCAH-UA LOCAL 675 PENSION:
Building Secure Income for Your Retirement

Your PAMCAH-UA Local 675 Pension Fund's Board of Trustees is deeply committed to helping members build financial security for retirement. The pension plan faces a few critical challenges, and the Trustees will take action to make the plan stronger and secure for years to come.

Check out the Pension Plan Basics video to learn more about your pension benefits and how to succeed.
www.pamcah-ualocal675-pension.com

REFRESHER: How the Pension Plan Works

As a member, you earn a lifetime pension benefit. Its value is based on the "Benefit Unit Dollar Value" in effect during each year you work.

The pension plan gets money to pay members' benefits from employer contributions and plan investment returns.

Employer contributions make up a small part of the money available to pay benefits—for example, \$2.7M in 2018.

Plan investment returns make up most of the money available to pay benefits—for example, \$26M in 2018.

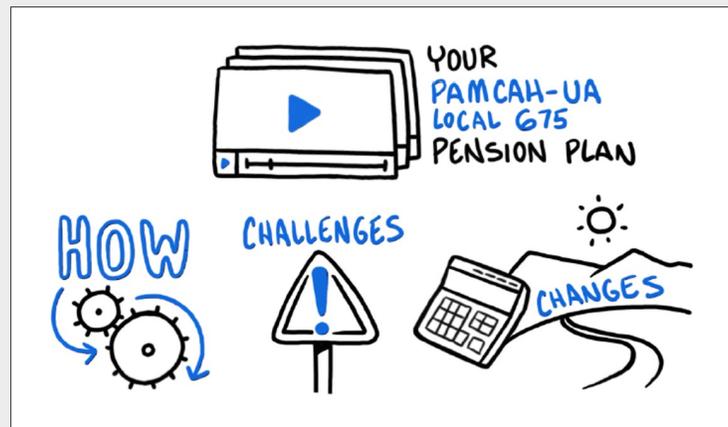
*Average from 2010 - 2018

PLAN INCOME AND EXPENSES: Employer Contributions and Benefits Paid

The value of pension benefits earned and paid to members at retirement continues to rise and far exceed employer contributions on your behalf. This leaves the plan highly reliant on investment returns to fill the gap. In certain years—with employers' and members' approval—the plan has also diverted money from union dues, training, and health care to help fund pension benefits.

Year	Employer Contributions	Diverted Contributions	Benefits Paid to Members
2008	~\$10M	~\$10M	~\$10M
2009	~\$10M	~\$10M	~\$10M
2010	~\$10M	~\$10M	~\$10M
2011	~\$10M	~\$10M	~\$10M
2012	~\$10M	~\$10M	~\$10M
2013	~\$10M	~\$10M	~\$10M
2014	~\$10M	~\$10M	~\$10M
2015	~\$10M	~\$10M	~\$10M
2016	~\$10M	~\$10M	~\$10M
2017	~\$10M	~\$10M	~\$10M
2018	~\$2.7M	~\$2.7M	~\$26M

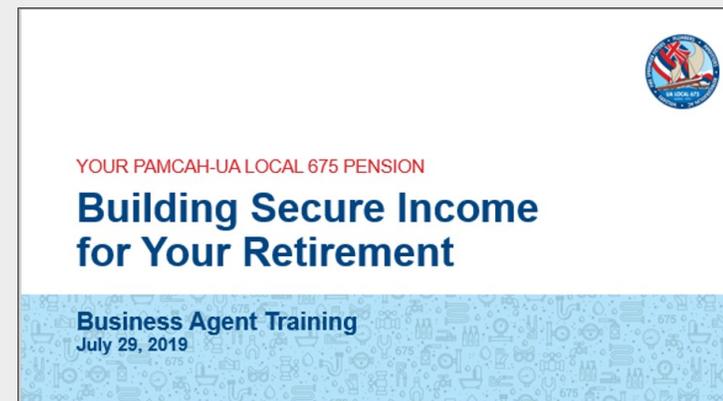
Infographic Mailer to homes



YOUR PAMCAH-UA LOCAL 675 PENSION PLAN

HOW **CHALLENGES** **CHANGES**

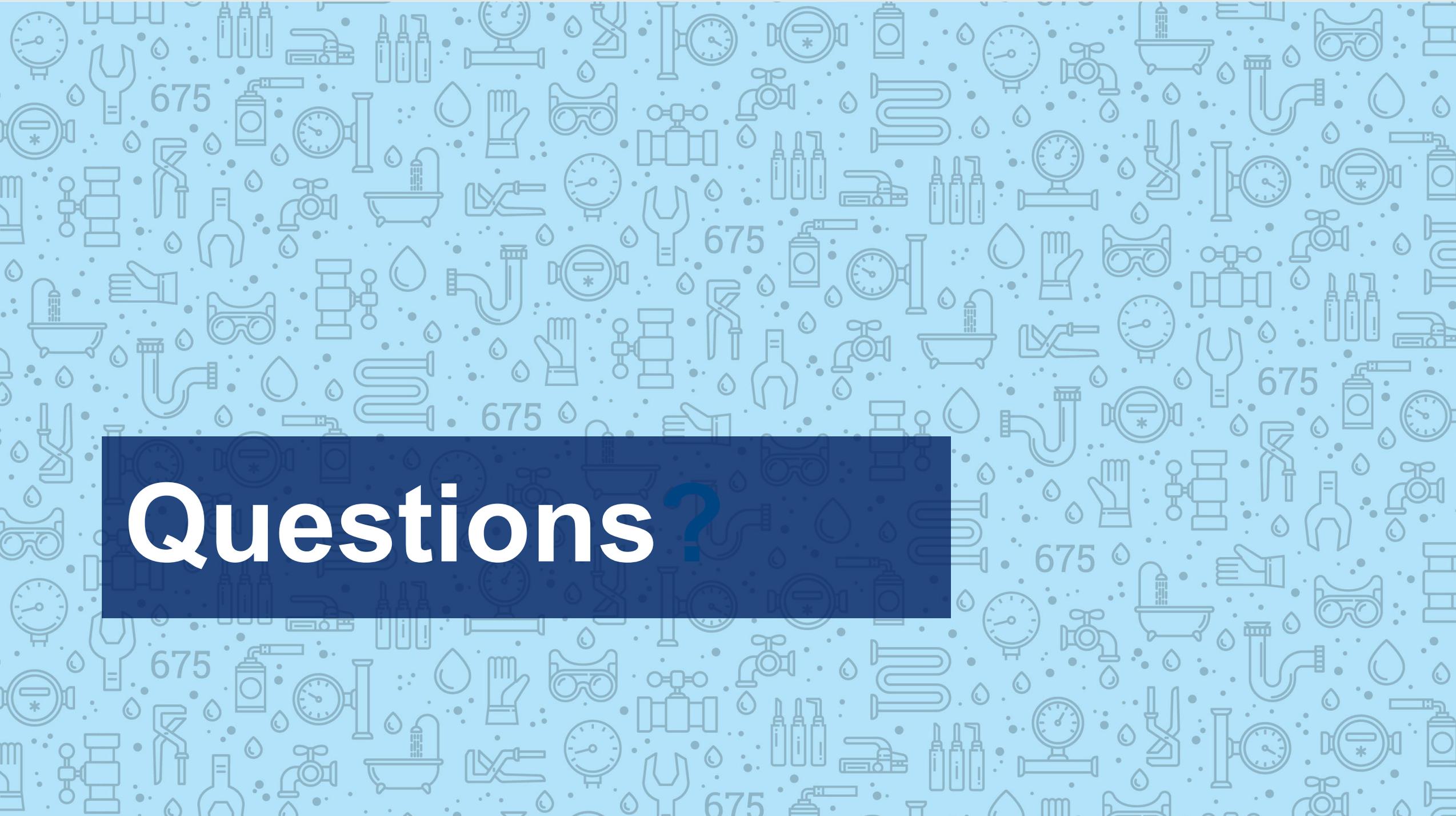
- Pension Plan Video Series**
- #1: Pension Plan Basics
- #2: Pension Plan Challenges
- #3: Pension Plan Changes



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Business Agent Training
July 29, 2019

PowerPoint Training Deck
Use slides and speaker's notes for your meetings with plan members out in the field

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Questions ?



Thank You!