



## Midwest Operating Engineers Fringe Benefit Funds

WELFARE FUND - PENSION TRUST FUND - VACATION SAVINGS PLAN

6150 Joliet Road • Countryside, IL 60525-3994 • (708) 482-7300 • Fax (708) 482-3056

James M. Sweeney, *Chairman*

John E. Kenny, Jr., *Secretary-Treasurer*

### Important News Regarding Your Pension Plan

September 2013

Dear Active Participant:

As Trustees of the Midwest Operating Engineers Pension Plan (the “Plan”), we are committed to ensuring that your Plan remains financially secure and positioned to meet all current and future pension obligations. As you know, our Pension Plan was recently classified as a “Yellow Zone” Plan, because our funded percentage fell just below 80%. Nonetheless, Yellow Zone classification means that by law we are required to take steps to improve the funding of our Plan. Although being certified in the Yellow Zone is cause for concern, we are confident that the steps we are taking will protect the long-term financial stability of the Plan.

The Pension Protection Act of 2006 (PPA) added requirements for measuring the financial health of multiemployer plans such as ours. Starting with the 2008 plan year, the PPA requires that the Plan’s actuary annually determine the Plan’s status under these new rules and certify that status to the IRS and to the Trustees. If the actuary determines that the Plan is in “endangered” status (known as the “Yellow Zone”) or “critical” status (known as the “Red Zone”), the Trustees must notify all Plan Participants and the bargaining parties, and take corrective action to restore the financial health of the Plan.

Last year, the Pension Plan’s actuary certified that the Plan was in endangered status (the Yellow Zone) because our funded percentage fell below 80%, and a notice to that effect was sent to you.

This announcement outlines the steps that the Trustees are taking to comply with the PPA. These steps, called a Funding Improvement Plan, have been put together with the assistance of our Plan’s professional advisors.

The Funding Improvement Plan calls for a decrease in the Plan’s multiplier as well as for Contributing Employers to make Supplemental Contributions to the Pension Plan to protect your benefits and strengthen the Plan. These Supplemental Contributions do not apply toward the calculation of your benefit. The Trustees have adopted two schedules of Supplemental Contributions that bargaining parties may adopt—a *Preferred Schedule* and a *Default Schedule*. This announcement will explain the reduction in the multiplier as well as the two schedules of Supplemental Contributions.

Each year the Plan’s actuary will review and certify the status of the Plan under the PPA funding rules and determine whether the Plan is making the scheduled progress toward the requirements of the Funding Improvement Plan. If the Trustees decide that it is necessary, we will revise the Funding Improvement Plan and the benefit and contribution schedules recommended under it.

Please keep this announcement with your SPD and refer to it for specifics on how these changes may affect your benefits. After carefully reviewing this notice, share it with your spouse if you are married. Please contact the Plan Office if you have any questions.

Sincerely,

The Board of Trustees

## **Funding Improvement Plan Schedules**

By law, a plan in the Yellow Zone must present to the bargaining parties for selection one or more Schedules of contribution increases and benefit reductions that are designed to improve plan funding during the required time frame.

The Trustees have adopted this Funding Improvement Plan in compliance with the PPA. One of the schedules is the Default Schedule, which allows for no future contribution increases but in turn must reduce benefits to a level that can improve plan funding as required by law. Under the Default Schedule, no additional benefits will be earned. In addition, there is also an alternative schedule, called the Preferred Schedule, which allows for future benefit accruals but requires supplemental contributions.

The Trustees expect that the Preferred Schedule will be adopted by most Employers. In the event that the contribution increases outlined in the Preferred Schedule are not approved by the membership or the Employer, then the participants under those Collective Bargaining Agreements will no longer accrue benefits as outlined in the Default Schedule.

Regardless of the Schedule implemented, Plan amendments increasing benefits will not be allowed unless the actuary determines that they will be financed out of contributions not contemplated for the Funding Improvement Plan and will not impede the Plan's progress toward achieving the PPA benchmarks for plans in endangered status.

## **Funding Improvement Period**

The Funding Improvement Plan will go into effect April 1, 2014. Based on the Plan's endangered status, the Funding Improvement Plan will remain in effect for 10 Plan Years, which means the Funding Improvement Period will end on March 31, 2024. If the actuary certifies before the end of this period that the Plan is no longer in endangered or seriously endangered status and is not in critical status for a Plan Year, the Funding Improvement Period will end as of the close of the preceding plan year.

## **Reduction in the Plan's Multiplier to 1% for all Employer Contributions Made on Your Behalf on or After October 1, 2013**

Your normal retirement benefit is your benefit payable at your normal retirement age. This amount may be adjusted based on early retirement and the form of benefit you choose. The Plan determines your monthly normal retirement benefit by adding the following amounts\* and multiplying the sum by your vesting percentage:

- 3.6% of all Employer contributions made on your behalf before April 1, 2000, as long as you worked at least 500 hours in covered employment during any Plan year beginning April 1, 1998 or April 1, 1999; PLUS
- 3.6% of all Employer contributions made on your behalf from April 1, 2000 through March 31, 2006; PLUS
- 3.0% of all Employer contributions made on your behalf from April 1, 2006 through December 31, 2008; PLUS
- 2.0% of all Employer contributions made on your behalf from January 1, 2009 through September 30, 2009; PLUS
- 1.5% of all Employer contributions, excluding supplemental contributions, made on your behalf from October 1, 2009 through September 30, 2013 (See the **Supplemental Contribution** sections in this notice for more information.); PLUS

- 1.0% of all Employer contributions, excluding supplemental contributions, made on your behalf on or after October 1, 2013. (See the **Supplemental Contribution** sections in this notice more information.)

\* If you retired or terminated covered employment before April 1, 2000, different formulas apply.

### Example

Assume that you retire on March 1, 2014 when you are age 60, have 16 years of vesting service (100% vested), and worked at least 500 hours in covered employment during the Plan years beginning April 1, 1998 and April 1, 1999. Employer contributions made on your behalf prior to April 1, 2006 were \$66,000, from April 1, 2006 – December 31, 2008 were \$16,500, from January 1, 2009 – September 30, 2009 were \$4,500, from October 1, 2009- September 30, 2013 were \$19,000 (excluding supplemental contributions), and from October 1, 2013 – February 28, 2014 were \$5,000 (excluding supplemental contributions). Your normal retirement benefit would be calculated as follows:

|  |   |                           |                |
|--|---|---------------------------|----------------|
|  | Employer contributions prior to April 1, 2006:                    | $\$66,000 \times 3.6\% =$ | <b>\$2,376</b> |
| <b>Plus</b>                              | Employer contributions from April 1, 2006 – December 31, 2008:    | $\$16,500 \times 3.0\% =$ | <b>\$495</b>   |
| <b>Plus</b>                              | Employer contributions from January 1, 2009 – September 30, 2009: | $\$4,500 \times 2.0\% =$  | <b>\$90</b>    |
| <b>Plus</b>                              | Employer contributions from October 1, 2009 – September 30, 2013* | $\$19,000 \times 1.5\% =$ | <b>\$285</b>   |
| <b>Plus</b>                              | Employer contributions from October 1, 2013 – February 28, 2014*  | $\$5,000 \times 1.0\% =$  | <b>\$50</b>    |
| <b>Equals</b>                            |   |                           | <b>\$3,296</b> |
| <b>Times</b>                             | Your vesting percentage   |                           | x 100%         |
| <b>Monthly normal retirement benefit</b> |   |                           | <b>\$3,296</b> |

In this example, your normal retirement benefit is \$3,296 a month—or \$39,552 a year\*\*.

\* Excluding supplemental contributions

\*\* Under the 5-year certain and life form of benefit, which is the normal form for a single retiree. If you choose any other form of benefit, your monthly benefit will be adjusted. See your SPD for more information on other **Benefit Options**.

**Please note:** The Plan will calculate your normal retirement benefit differently if you left covered employment on or after April 1, 2000 and did not work at least 500 hours in covered employment during any one of the Plan years beginning April 1, 1998 or April 1, 1999. Please contact the Fund Office if you are in this situation. The Appendix in your SPD displays a history of the most recent benefit rates.

### Supplemental Contribution

The Supplemental Contribution before September 30, 2013 remains unchanged. The following amount of Employer's hourly contribution rate is deemed Supplemental and not subject to the multiplier; provided, however, that in no event will the amount of Supplemental Contributions be more than 50% of the total hourly contribution rate.

| Determination Date                    | Amount of Hourly Contribution Deemed Supplemental |
|---------------------------------------|---|
| October 1, 2009 – September 30, 2010  | \$1.00  |
| October 1, 2010 – September 30, 2011  | \$2.00  |
| October 1, 2011 – October 31, 2012    | \$2.50  |
| November 1, 2012 – September 30, 2013 | \$3.50  |

**MIDWEST OPERATING ENGINEERS  
FRINGE BENEFIT FUNDS**

6150 JOLIET ROAD

COUNTRYSIDE, ILLINOIS 60525



PRESORTED  
FIRST-CLASS  
U.S. Postage  
**PAID**  
Oak Brook, IL  
Permit No. 206

On and after October 1, 2013, the amount of Supplemental contribution shall be determined according to the Preferred or Default Schedules that is applicable to the participant.

**Preferred Schedule**

For Employers who elect the Preferred Schedule, they are required to increase their hourly contribution rate on the effective/renewal date of their Collective Bargaining Agreements each year between 2013 and 2020 at the lesser of:

- (a) 10% of the rate in effect on the last day of the Collective Bargaining Agreement that expires in 2013 or the 2013 renewal date (referred as 2012 hourly rate in the rest of this announcement), or
- (b) \$0.50 per hour.

All of these additional contributions will be deemed Supplemental and not be used toward benefit accrual with the exception that the amount of the total hourly contribution deemed supplemental will not exceed 50% through September 30, 2016.

**Examples**

The total hourly contribution rate and the amount of the total hourly contribution rate deemed supplemental for participants of Employers who elect the Preferred Schedule and whose 2012 hourly contribution rate is \$7.50 shall be determined as follows:

|      | <b>Hourly<br/>Contribution Rate</b> | <b>Amount Deemed<br/>Supplemental as of<br/>October 1<sup>st</sup> of Each Year</b> |
|------|-------------------------------------|---|
| 2012 | \$7.50                              | \$3.50  |
| 2013 | \$8.00                              | \$4.00  |
| 2014 | \$8.50                              | \$4.25  |
| 2015 | \$9.00                              | \$4.50  |
| 2016 | \$9.50                              | \$5.00  |
| 2017 | \$10.00                             | \$5.50  |
| 2018 | \$10.50                             | \$6.00  |
| 2019 | \$11.00                             | \$6.50  |
| 2020 | \$11.50                             | \$7.00  |

The total hourly contribution rate and the amount of the total hourly contribution rate deemed supplemental for participants of Employers who elect the Preferred Schedule and whose 2012 hourly contribution rate is \$3.00 shall be determined as follows:

|      | <b>Hourly<br/>Contribution Rate</b> | <b>Amount Deemed<br/>Supplemental as of<br/>October 1<sup>st</sup> of Each Year</b> |
|------|-------------------------------------|---|
| 2012 | \$3.00                              | \$1.50  |
| 2013 | \$3.30                              | \$1.65  |
| 2014 | \$3.60                              | \$1.80  |
| 2015 | \$3.90                              | \$1.95  |
| 2016 | \$4.20                              | \$2.25  |
| 2017 | \$4.50                              | \$2.55  |
| 2018 | \$4.80                              | \$2.85  |
| 2019 | \$5.10                              | \$3.15  |
| 2020 | \$5.40                              | \$3.45  |

## **Default Schedule**

Employers who elect the Default Schedule are required to pay at least their 2012 hourly rate for each year the Plan is in endangered or seriously endangered status.

For Participants whose Employers have elected the Default Schedule, or for whom the Default Schedule is imposed and pay contributions at the 2012 hourly rate, no future benefit shall be accrued for service rendered on or after the first day of the month immediately following the date the Default Schedule is elected or imposed.

For Participants whose Employers have elected the Default Schedule, or for whom the Default Schedule is imposed and pay contributions at a rate greater than the 2012 hourly rate, effective on the first day of the month immediately following the date the Default Schedule was elected or imposed, contributions in excess of the 2012 hourly rate shall be subject to the 1% benefit multiplier applicable the Preferred Schedule after October 1, 2013. However, in no event shall the amount of the contribution subject to the benefit multiplier be greater than the difference between the Employer's total contribution rate and the total hourly supplemental contribution rate required under the Preferred Schedule shown above.

The 2012 hourly rate means the total hourly contribution rate in effect on the date the Funding Improvement Plan is adopted.

## **For More Information**

If you have any questions about the information and changes outlined in this notice or your pension benefits, please contact the Pension Department at (708) 482-7300. Pension Plan representatives will be happy to help you. You can also visit the Fund's website at [www.moefunds.com](http://www.moefunds.com).

*This announcement contains only highlights of recent changes to the Midwest Operating Engineers Pension Plan. Full details are contained in the documents that establish the Plan provisions. If there is a discrepancy between the wording here and the documents that establish the Plan, the document language will govern. The Trustees reserve the right to amend, modify, or terminate the Plan at any time.*