

# *Plumbers, Pipe Fitters & MES Local Union No. 392 Pension Fund*

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**TO ALL PARTICIPANTS:**

**April 2018**

The Trustees of the Plumbers, Pipe Fitters and Mechanical Equipment Service Local Union No. 392 Pension Plan (“Plan”) have amended the Plan to increase the base accrual rate and change the reduction factors for early and disability pensions effective June 1, 2018. Please keep this notice with your Summary Plan Description (“SPD”) booklet for future reference.

### **Monthly Base Accrual Rate Increases to \$130**

The base accrual rate for 1,500 contributed hours per year increases from \$67 to \$130 for pension credits earned on or after June 1, 2018. For these credits, the normal retirement age is age 65, subject to a full actuarial reduction for each month the benefit commences prior to age 65. The actuarial reduction factors and the resulting base accrual rates at different Early Retirement ages are as follows:

<b>Early Retirement (10 or More Years of Vesting Service Required)</b>		
<i>Months Prior to Age 65</i>	<i>Reduction Factor</i>	<i>Monthly Accrual Rate</i>
0 months (Age 65)	100.000%	\$130.00
12 months (Age 64)	89.929%	\$116.91
24 months (Age 63)	81.049%	\$105.36
36 months (Age 62)	73.194%	\$95.15
48 months (Age 61)	66.224%	\$86.09
60 months (Age 60)	60.022%	\$78.03
72 months (Age 59)	54.489%	\$70.84
84 months (Age 58)	49.539%	\$64.40
96 months (Age 57)	45.101%	\$58.63
108 months (Age 56)	41.113%	\$53.45
120 months (Age 55)	37.522%	\$48.78

Any credit earned prior to June 1, 2018 will continue to be eligible for the Early Retirement factors under the Plan's old formula. In addition, all years of Vesting Service, both before and after June 1, 2018, are used to determine eligibility under the old formula. The full actuarial reduction under the new formula applies only to those credits earned on or after June 1, 2018.

The following are three fact patterns that show how the new formula compares to the old formula. The new formula includes a \$130 accrual rate with an actuarial reduction for early payment. The old formula includes the current \$67 accrual rate and the current early retirement reduction factors.

The first fact pattern in Table 1 is based on a new participant who would be eligible for the Rule of 90 under the old formula. Table 1 shows that the break-even age is between ages 58 and 59. A participant who retires prior to the break-even age is marginally better off under the old formula and a participant who retires on or after the break even age is better off under the new formula. If the participant waits until age 65 to retire, the amount payable under the new formula is almost twice as much as under the old formula.

The second fact pattern in Table 2 is based on a participant who would not be eligible for the Rule of 90 under the old formula. Table 2 shows that the amount payable under the new formula is greater at all ages than under the old formula.

The third fact pattern in Table 3 is based on a participant who has 25 years of service under the old formula as of May 31, 2018. Participants continue to be eligible for the Rule of 90 on all benefits earned under the old formula. Again, the break-even age is between age 58 and 59 years. Further, if the participant waits until age 65 to retire, the amount under the new formula is 42% greater than the amount under the old formula.

**New Participant with 35 Years of Service at Age 55**

The following is a comparison of the old and new formulas for a new participant who works 1,800 contributed hours per year before retiring. For the old formula, the participant qualifies for the Rule of 90 Early Pension.

<b>Table 1</b>			
<i>Age</i>	<i>Service</i>	<i>Old Formula (All Service)</i>	<i>New Formula (All Service)</i>
55	35	\$2,611	\$2,049
56	36	\$2,755	\$2,309
57	37	\$2,903	\$2,603
58	38	\$3,055	\$2,937
59	39	\$3,136	\$3,315
60	40	\$3,216	\$3,745
61	41	\$3,296	\$4,236
62	42	\$3,377	\$4,796
63	43	\$3,457	\$5,437
64	44	\$3,538	\$6,173
65	45	\$3,618	\$7,020

The participant can retire at each of the ages shown above. The break-even age is between ages 58 and 59.

### New Participant with 22 Years of Service at Age 55

The following is a comparison of the old and new formulas for a new participant who works 1,800 contributed hours per year before retiring. For the old formula, the participant qualifies for the Twenty-Five Year Early Pension at age 58.

<b>Table 2</b>			
<i>Age</i>	<i>Service</i>	<i>Old Formula (All Service)</i>	<i>New Formula (All Service)</i>
55	22	\$907	\$1,288
56	23	\$1,039	\$1,475
57	24	\$1,189	\$1,689
58	25	\$1,685	\$1,932
59	26	\$1,823	\$2,210
60	27	\$1,975	\$2,528
61	28	\$2,144	\$2,893
62	29	\$2,332	\$3,311
63	30	\$2,412	\$3,793
64	31	\$2,492	\$4,349
65	32	\$2,573	\$4,992

The participant can retire at each of the ages shown above. You can see that the new formula provides a larger benefit for all ages.

### Age 45 Participant with 25 Years of Service on May 31, 2018

The following is a comparison based on a participant who is age 45, has 25 years of service, and an accrued benefit of \$2,010 on May 31, 2018. This example compares a participant who works 1,800 contributed hours per year under the new formula to a participant who would have worked 1,800 contributed hours per year under the old formula. Regardless of the benefit formula change, participants continue to qualify for the Rule of 90 on benefits earned under the old formula.

<b>Table 3</b>			
<i>Age</i>	<i>Service</i>	<i>Old Formula</i>	<i>New Formula</i>
55	35	\$2,611	\$2,451
56	36	\$2,755	\$2,619
57	37	\$2,903	\$2,806
58	38	\$3,055	\$3,015
59	39	\$3,136	\$3,200
60	40	\$3,216	\$3,415
61	41	\$3,296	\$3,663
62	42	\$3,377	\$3,951
63	43	\$3,457	\$4,286
64	44	\$3,538	\$4,675
65	45	\$3,618	\$5,130

The participant can retire at each of the ages shown above. The break-even age is between ages 58 and 59.

## **Disability Benefits**

Effective for disabilities where either (1) the disability date or (2) the date you apply for benefits at the Fund Office is on or after June 1, 2018, the calculation of the Disability Benefit amounts is changing. The amount of the Full Disability Benefit and the Contingent Disability Benefit is 50.0% of the participant's accrued benefit. The amount of the Trade Disability Benefit is 37.5% of the participant's accrued benefit. The changes apply to benefits accrued before and after June 1, 2018. If you believe you are currently disabled, you should immediately apply for disability benefits with the Social Security Administration and the Fund Office.

This announcement is intended to be a Summary of Material Modifications and comply with the notice requirements under federal law. If you have any questions about these benefit improvements, please contact the Fund Office.

Sincerely,

Board of Trustees