

# **NECA-IBEW PENSION TRUST FUND**

## **IMPORTANT NOTICE TO PARTICIPANTS**

The Employee Retirement Income Security Act of 1974 requires the Board of Trustees to notify you of certain changes in the Pension Plan document. This is a summary of recent changes.

### **2% Benefit Multiplier on Certain Reciprocal Contributions**

At their meeting on October 19, 2017, the Board of Trustees took action granting a 2% benefit multiplier on certain reciprocal contributions (remaining credited contributions will continue to earn benefits based on a 1% multiplier). The 2% multiplier will apply to lesser of:

- (a) Your home local's "new money rate" in effect at the time the hours were worked, or
- (b) The excess (if any) of: (i) the rate at which the reciprocal contributions were received, less the current non-credited contribution rate, over (ii) your home local's "old money rate" that would be applicable to the type of work performed in effect at the time the hours were worked.

Previously, all reciprocal contributions earned benefits based on a 1% multiplier. This change applies to reciprocity contributions transferred to the Pension Fund based upon hours worked on or after January 1, 2018.

The term "new money rate" means the contribution rate that is subject to the 2% benefit multiplier. The term "old money rate" means the contribution rate subject to the 1% benefit multiplier

The non-credited contributions shown in the examples are at the \$ 1.00 per hour rate. Note that all non-credited contributions are accounted for separately and may, at some point in the future, be restored by the Trustees as credited contributions as the health of the Trust Fund improves.

The following examples show how reciprocity contributions would be credited under several different scenarios.

#### **Facts:**

- Change to home local CBA      Pension rate increased from \$5.00 to \$5.50 per hour effective 1/1/2017
- Home local new money rate      50¢ per hour (= \$5.50 - \$5.00)
- Non-credited contribution rate      \$1.00 per hour
- Home local old money rate      \$4.00 per hour (= \$5.50 - 50¢ new money rate - \$1.00 non-credited)
- Hours worked      1,000

**Calculation of Benefits Accrued:**

Example #1 below shows how contributions would earn benefits if they were worked in an outside local that happened to have the same contribution rate as the home local. Examples #2-#4 show how benefits would be earned on contributions received through a reciprocity agreement at various contribution rates.

Note that reciprocity money will always be converted to a dollars-per-hour rate. For purposes of these calculations, your home local's new and old money rates will be expressed a dollar-per-hour rate as well. This is true even if your local defines new money in terms of a percentage of wage or as a hybrid of flat dollar and percentage of wage.

	<b>Example Number:</b>			
	<b><u>1</u></b>	<b><u>2</u></b>	<b><u>3</u></b>	<b><u>4</u></b>
1 Reciprocity contributions received	5,500.00	4,200.00	5,330.00	6,450.00
2 Reciprocity hours	1,000.00	1,000.00	1,000.00	1,000.00
3 Reciprocity rate = (1)/(2)	5.50	4.20	5.33	6.45
4 Non-credited rate	1.00	1.00	1.00	1.00
5 Home local new money rate	0.50	0.50	0.50	0.50
6 Home local old money rate	4.00	4.00	4.00	4.00
7 Reciprocity rate - non-credited rate - home local old money rate = (3) - (4) - (6) (but not less than zero)	0.50	-	0.33	1.45
8 Reciprocity rate subject to 2% multiplier = lesser of (5) or (7)	0.50	-	0.33	0.50
9 Reciprocity amount subject to 2% multiplier = (2) x (8)	500.00	-	330.00	500.00
10 Reciprocity amount non-credited=(2)x(4)	1,000.00	1,000.00	1,000.00	1,000.00
11 Reciprocity amount subject to 1% multiplier = (1) - (9) - (10)	4,000.00	3,200.00	4,000.00	4,950.00
12 Benefit accrued = 1% of (11) + 2% of (9)	50.00	32.00	46.60	59.50

**Increase in Credited Contributions**

At their meeting on April 24, 2018, the Board of Trustees took action to increase the amount of contributions that are "credited" by moving 40¢ per hour of contributions from being "non-credited" to "credited." With this action, effective June 1, 2018, the amount of non-credited contribution drops from \$1.00/hr. to 60¢/hr. This means that an extra 40¢/hour is now earning benefits.

If you have any questions regarding this notice, please contact the Fund Office at 217-875-0254.

Sincerely,

*Board of Trustees*