

## **NOTICE OF REDUCTION IN ADJUSTABLE BENEFITS UNDER THE 2017 PREFERRED SCHEDULE**

As provided in the Notice of Critical Status, the Fund's Actuary certified that if no further action was taken the Plan would be in Critical Status for the Plan Year beginning January 1, 2022. Accordingly, to avoid the need for greater benefit reductions and contribution increases at that time, the Board of Trustees of the Michigan Electrical Employees' Pension Fund elected, under the Multiemployer Pension Reform Act ("MPRA"), to be in Critical Status for the Plan Year beginning January 1, 2017 and take more measured steps today to improve the funding of the Plan.

As required by ERISA, the Board of Trustees has, with the advice and assistance of its actuary and attorneys, adopted a Rehabilitation Plan. The Rehabilitation Plan combines benefit reductions and contribution increases intended to get the Pension Plan out of critical status and financially healthy again within a 10 year Rehabilitation Period. The benefit reductions include permitted changes to "adjustable benefits" as defined in ERISA.

The purpose of this communication is to give you advance notice that adjustable benefits under the Fund's Pension Plan will be reduced or eliminated as part of the Rehabilitation Plan Schedule to be implemented. This Notice applies to all Participants, Retirees, their Alternate Payees and Beneficiaries and to employees of Contributing Employers who are participating in the Fund under agreements other than a collective bargaining agreement. The examples in this notice assume a Straight Life form of benefit and do not reflect any adjustment that may be required when the benefit is paid in another form.

**Those currently receiving benefits provided by the Fund, or whose applications were approved on or before March 15, 2017, will not be affected by these changes.**

### **Elimination of Early Retirement Supplemental Benefit**

Beginning May 1, 2017, the Plan will no longer pay any Early Retirement Supplemental Benefits to any participant who retires on or after April 1, 2017. However, a retiree currently receiving such benefit and any participant whose application for retirement benefits was approved by the Fund Office on or before March 15, 2017, or would have been approved but for an administrative delay, error or omission on the part of any person engaged by the Fund with respect to determining eligibility for or the amount of the benefit, and the participant retires based on that application, will be eligible to continue to receive the Early Retirement Supplemental Benefit in accordance with the terms of the Plan prior to May 1, 2017. Before this change, the Early Retirement Supplemental Benefit was available to each participant who retired on or after the date he reached age fifty-seven (57), but before he reached age sixty-two (62), calculated as 50% of his accrued benefit, as reduced for early payment.

**Example 1:** Assume you retired May 1, 2016 at age 57 with a reduced monthly benefit of \$2,400. At that time, you were eligible to receive an Early Retirement Supplemental Benefit in the amount of \$1,200 per month until you reached age 62. The elimination of Early Retirement Supplemental Benefit will not affect you and you will continue receiving that benefit until you reach age 62.

**Example 2:** Assume you intend to retire effective June 1, 2017 at age 57 with a reduced monthly benefit of \$2,400. Your application was approved on March 14, 2017. Because, the Fund Office approved your application on or before March 15, 2017, you will be eligible to receive an Early Retirement Supplemental Benefit in the amount of \$1,200 per month until you reach age 62 so long as you completely stop working as an electrician or in any other capacity for a contributing employer before June 1, 2017 (your effective date of retirement) and actually retire as of that date.

**Example 3:** Same as Example 2; however, assume your application was not approved by the Fund Office until March 16, 2017. Because, the Fund Office did not approve your application on

or before March 15, 2017, you **will not** be eligible to receive an Early Retirement Supplemental Benefit.

**Example 4:** Same as Example 3; however, assume you requested an effective retirement date of April 1, 2017. Because, the Fund Office did not approve your application on or before March 15, 2017, you **will not** be eligible to receive an Early Retirement Supplemental Benefit on or after May 1, 2017; however, you will receive an Early Retirement Supplement for April 2017.

**Example 5:** Same as Example 2; however, assume you continue working as an estimator for a contributing employer during the month of June 2017. As a result, you are no longer eligible for a June 1, 2017 effective date. You will have to reapply when you are ready to retire and **will not** be eligible to receive an Early Retirement Supplemental Benefit when you subsequently retire.

**Example 6:** Same as Example 2; however, assume even though you submitted your Request for Application in September 2016, you did not receive an Application until March 15, 2017 and there is no reasonable explanation for the delay. You completed the application and returned it to the Fund Office on March 20, 2017. The Application is approved on March 23, 2017. Because an administrative delay prevented the approval of your application on or before March 15, 2017, you will be eligible to receive an Early Retirement Supplemental Benefit in the amount of \$1,200 per month until you reach age 62 so long as you completely stop working as an electrician or in any other capacity for a contributing employer before June 1, 2017 (your effective date of retirement) and actually retire as of that date.

#### **Change in the Early Retirement Reduction Factor for Active Participants**

Beginning May 1, 2017, for retirements on or after April 1, 2017, an Active Participant, who has accrued at least 10 Years of Service and elects to commence receiving his Early Retirement Benefit on or after age 57 will receive a monthly benefit that is reduced by one-half (1/2) of one percent for each complete calendar month by which the Active Participant is under age 62 at the time his benefit commences. Before this change, the reduction factor was one-half (1/2) of one percent for each complete calendar month by which the Active Participant was under age 61 at the time benefit commenced. The same rule as discussed above regarding the approval of applications on or before March 15, 2017 applies to the change in the early retirement reduction factors for Active Participants (Examples 2, 3, 4 and 5 describe how that rule would be applied in various instances).

**Example 7:** Assume you are an Active Participant with an Accrued Benefit of \$2,400. You have accrued 20 Years of Service and decide to retire effective July 1, 2017, the first of the month after you reach age 57. Your benefit would be reduced by 0.5% for each complete calendar month by which you are under age 62. Your reduction will be 30% (0.5% x 60 months) and your monthly benefit commencing July 1, 2017 would be \$1,680 (\$2,400 x 70%). Before this change took effect, your reduction factor would have been 24% (0.5% x 48 months) and your monthly benefit commencing July 1, 2017 would have been \$1,824 (\$2,400 x 76%).

**Example 8:** Same as Example 7 above; however, assume you reach age 57 in March of 2017 and apply for a retirement benefit effective April 1, 2017 based on an application approved by the Fund on March 20, 2017. Your first benefit payment on April 1, 2017 will be \$1,824 (\$2,400 x 76%). Your benefit payment on May 1, 2017, and each subsequent month, would be further reduced to \$1,680 (\$2,400 x 70%).

#### **Change in the Early Retirement Reduction Factor for Inactive Participants**

Beginning May 1, 2017, for retirements on or after April 1, 2017, an Inactive Participant, who has accrued at least 10 Years of Service and elects to commence receiving his Vested Benefit on or after age 57 will receive a monthly benefit that is actuarially reduced for each complete calendar month by which the Inactive Participant is under age 65 at the time benefits commence. Before this change, the reduction factor was one-half (1/2) of one percent for each complete calendar

month by which the Inactive Participant was under age 61 at the time benefit commenced. The same rule as discussed above regarding the approval of applications on or before March 15, 2017 applies to the change in the early retirement reduction factor for Inactive Participants (Examples 2, 3, 4 and 5 describe how that rule would be applied in various instances).

**Example 9:** Assume you are a vested Inactive Participant with an Accrued Benefit of \$2,400. You have accrued 20 Years of Service and decide to retire effective July 1, 2017, the first of the month after you reach age 57. Your benefit would be actuarially reduced for each complete calendar month you are under age 65. Your actuarial reduction will be 54% and your monthly benefit commencing July 1, 2017 will be \$1,104 ( $\$2,400 \times 46\%$ ). Before this change took effect, your reduction factor would have been 24% ( $0.5\% \times 48$  months) and your monthly benefit commencing July 1, 2017 would have been \$1,824 ( $\$2,400 \times 76\%$ ).

**Example 10:** Same as Example 9 above; however, assume you reach age 57 in March of 2017 and apply for a retirement benefit effective April 1, 2017 based on an application approved by the Fund on March 20, 2017. Your first benefit payment on April 1, 2017 will be \$1,824 ( $\$2,400 \times 76\%$ ). Your benefit payment on May 1, 2017, and each subsequent month, would be further reduced to \$1,104 ( $\$2,400 \times 46\%$ ).

#### **Impact of Benefit Reductions for Inactive Participants Who Later Return to Covered Employment**

The new Early Retirement Reduction Factor for Inactive Participants will remain in place for an Inactive Participant who later returns to covered work for that portion of his benefit accrued prior to returning to work unless he earns three Years of Service in the period of five Plan Years (including the Plan Year in which he retires) after he was last Inactive.

**Example 11:** Assume you are a vested Active Participant with 20 years of Service when you decide to retire effective October 1, 2017, the first of the month after you reach age 57. You were an Inactive Participant when you returned to work in 2015 and accrued two additional Years of Service for the 2016 and 2017 Plan Years. The portion of your Accrued Benefit before you became Inactive when you stopped working in 2010 was \$2,000. The portion of your Accrued Benefit for the two additional Years of Service you accrued when you returned to covered employment is \$200. Because, before you retired, you did not accrue three Years of Service within a period of five Plan Years after you last became Inactive, the portion of your Benefit Accrued prior to returning to work will be calculated as described in the Example 9 above and will be \$920 ( $\$2,000 \times 46\%$ ). However, the portion of your benefit earned after returning to work in 2015 will not be subject to the new Inactive Participant reduction, but instead will be reduced only by one-half (1/2) of one percent for each calendar month you are under age 62 (the new reduction factor for Active Participants). Therefore, you will also receive a benefit for the portion of the Accrued Benefit earned after you returned to employment in the amount of 140 ( $\$200 \times 70\%$ ), for a total of \$1,060 monthly benefit at the time of retirement.

**Example 12:** Same as Example 11 above; however, assume, prior to retirement, you accrued three additional Years of Service for the 2014, 2016 and 2017 Plan Years after you last became Inactive and your total Accrued Benefit is \$2,300. Because, before you retired, you accrued three Years of Service within a period of five Plan Years after you last became inactive, your total Accrued Benefit will be reduced only by one-half (1/2) of one percent for each calendar month you are under age 62 (the new reduction factor for Active Participants). Your reduction factor would be 30% ( $0.5\% \times 60$  months) and your monthly benefit commencing October 1, 2017 would be \$1,610 ( $\$2,300 \times 70\%$ ).

### **Information on Rights and Remedies**

As a Participant, Retiree, Alternate Payee or Beneficiary in the Pension Plan of the Michigan Electrical Employees' Pension Fund, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974, as amended, (ERISA). ERISA provides that all Plan Participants and Beneficiaries are entitled to:

- (a) Examine, without charge, at the Fund Office and at other specified locations, such as certain worksites and local union halls, all Plan documents, including the Rehabilitation Plan and Schedules, all notices issued in connection with the Rehabilitation Plan, collective bargaining agreements and copies of documents filed by the Fund with the United States Department of Labor, such as detailed annual reports and Plan descriptions. The Fund will, however, charge a reasonable fee established by the Trustees for furnishing the copies.
- (b) Obtain copies of all Plan documents and other Plan information upon written request to the Administrative Manager. The Fund will, however, charge a reasonable fee established by the Trustees for furnishing the copies.
- (c) Receive the Annual Funding Notice.
- (d) Obtain a statement telling you whether you have a right to receive a pension at Normal Retirement Age 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 earn a right to a pension. This statement must be requested in writing and is not required to be supplied more than once a year. The Plan must provide the statement free of charge. The Plan mails such statements to all Participants on an annual basis.

For copies of documents, write to the Board of Trustees, Michigan Electrical Employees' Pension Fund, 6525 Centurion Drive, Lansing, Michigan 48917-9275.

### **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 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 Local 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 a right to know why, 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 Trustees to provide the materials and pay you up to \$147 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Trustees. 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 your Plan, you should contact the Trustees or the Fund Office. If you have any questions about this Notice or about your rights under ERISA, or if you need assistance in obtaining documents from the Trustees, you should contact the Employee Benefits Security Administration, U.S. Department of Labor, the Detroit office of which is located at 211 W. Fort Street, Detroit, Michigan 48226, (313) 226-7450, 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. The website address for the Employee Benefits Security Administration of the Department of Labor is <http://www.askebsa.dol.gov>.