IAM National Pension Fund Update – April 30, 2019

The IAM National Pension Fund is a separate and independent entity from the IAM.

The decision to voluntarily elect Red Zone status and adopt a Rehabilitation Plan was made by the Fund's Board of Trustees on April 17, 2019. Participants were notified by U.S. Mail on April 26, 2019. The union and employer representatives were also notified by U.S. Mail on the same date.

In making this decision, the Trustees of the IAM National Pension Fund have taken proactive steps to keep the pensions of IAM members safe and strong for decades to come. The primary focus of the Trustees is to ensure dignity in retirement and that benefits are paid without interruption in your retirement years.

The health of the Fund is not in question and the Fund remains well funded. The rehabilitation measures being undertaken give the Fund an opportunity to maintain its health well into the future.

The Trustees voluntarily put the Plan into the "Red Zone" not because the Plan is in trouble, but to allow the Fund to take advantage of the most powerful tools available through the law and keep the Fund on a path to long-term stability. One of these tools is to require employers to pay a surcharge to the Plan.

This problem was caused by the Great Recession of 2008. Remember when Wall Street got billions of dollars in bailouts while working people were given pink slips? During this period, pension plans took devastating losses in value. While some plans have even become insolvent as a result, the IAM National Pension Fund remains one of the strongest plans in the country.

As you know, current government policies threaten the vitality of defined benefit plans. Moreover, policies like the corporate tax giveaway have done nothing to help secure defined benefits plans. In fact, the corporate tax giveaway has made it easier for corporations to run away from the U.S. and hurt defined benefit plans.

The recent corporate tax cut and massive stock buybacks were supposed to stimulate the economy, but have instead led to continued attacks on defined benefit plans led by Corporate America. Why is money available for tax cuts for corporations and the rich, but there is no solution for retirement security?

The IAM has long been a leader in demanding Washington come up with a solution to end America's pension crisis. We are calling for a solution that saves troubled pensions, without hurting healthy plans, like the IAM National Pension Fund.

The Fund has issued the attached, which explains its status in further detail. For further questions, Business Representatives should contact their Territorial Pension Coordinator. Plan Participants can schedule a callback from the Fund by going to iamnpf.org, logging in using the green button in the upper-right hand corner and inputting their credentials. Plan Participants can also schedule a call by using the Fund's toll free number at 866-232-1296.

Watch the Fund's full Rehab Plan video.

IAM National Pension Fund

FAQs

Active Participants

1. **What changes are happening and how will it affect me?**

The first change required by regulations upon voluntarily electing Red Zone status are the elimination of the lump sum death benefit, social security option, partial lump sum, small pension benefit, and return to employment lump sum as of April 26, 2019.

The changes under the Rehabilitation Plan, are contained in two schedules, the impacts of which are described below:

- **The Preferred Schedule**:
    - Future benefit accruals remain unchanged for participants.
    - Benefit changes include the elimination of all early retirement pension benefit subsidies, effective on January 1, 2022.
    - Adoption of this schedule requires additional employer contributions of 2.5% compounded annually for the length of the Rehabilitation Plan. These additional contributions are designed to strengthen the financial health of the Fund and do not count toward benefit accruals.
    - The Single Life Annuity with 60 Certain Payments option is eliminated.

- **The Default Schedule**:
    - A reduction in future accruals of 39% (Schedule C), effective on the date of adoption or imposition.
    - Benefit changes include the elimination of all early retirement pension benefit subsidies, prospectively only, effective on date of adoption or imposition.
    - Adoption of this schedule requires additional employer contributions of 6%, compounded annually for the length of the Rehabilitation Plan. These additional contributions are designed to strengthen the financial health of the Fund and do not count toward benefit accruals.
    - The Single Life Annuity with 60 Certain Payments option, the 60 Payments Death Benefit, and the Pop-Up provision are eliminated.

How the Rehabilitation Plan affects you depends upon which Schedule will apply. The decision on which Schedule applies to you will be made by your employer and union if you are a bargaining unit employee, and by your employer if you are a non-bargaining unit employee.

2. **What are subsidies within the context of the Plan?**

If a plan participant qualifies for 30 and out, 62 and 20, or disability the Fund provides the participant with 100% of their normal retirement age benefit prior to age 65. The value of the pre-normal retirement age benefit is known as a subsidy, as the money received by the fund only supported the benefit normal retirement age, not the increased payout.

3. What age is normal retirement age?

Assuming you are vested, your normal retirement age is age 65. The Plan's vesting rules require 5 years of vesting service.

4. What does elimination of subsidies mean?

The Plan will no longer pay the additional amount required to provide a fully or partially unreduced pension benefit prior to Normal Retirement Age. The elimination for these subsidies is a key component of the Rehabilitation Plan.

Applicability of subsidy elimination depends on, and is described in, the Preferred and Default Schedules.

Examples are contained in the Notice of Reduction in Adjustable Benefits in the mailing and available on the website. Please refer to page 4 of the notice.

a. <u>Michael stops working at age 52 with 30 Years of Credited Service. If he were to apply for his pension at age 65, he would receive a Normal Pension benefit of $1,000 per month.</u>
b. *Under the current Plan*, since Michael meets the requirements for a 30 and Out Pension, he will receive a benefit of **$1,000** per month, beginning at age 52. The value of this subsidization from age 52 – age 65 is $156,000 ($1,000 * 12 months * 13 years) plus interest. If subsidized unreduced Pensions such as the 30 and Out Pension were not available under the Plan, Michael could retire at age 55 with a reduced Early Retirement Pension equal to $1,000, reduced by 48% (.004 * 120 months) = $520 per month. From ages 55 to 65, Michael would receive $62,400 ($520 * 12 months * 10 years). Using the unsubsidized Early Retirement Reduction Factors, he would receive $280 per month (as shown in the following paragraph). From ages 55 to 65, he would receive $33,600 ($280 * 12 months * 10 years).
c. *Under the Preferred Schedule*, if Michael retires at age 52 with a Completed Application Date on or after his RP Schedule Effective Date, he will not be eligible for a subsidized unreduced 30 and Out Pension. However, he remains eligible to collect his reduced retirement benefit, calculated by reducing his Normal Pension at age 65 by 72.0%, after application of the Early Retirement Reduction Factor at age 52 of .280 = **$280**. Michael would not be eligible to receive his full retirement benefit of $1,000 per month unless he delays commencement of his benefit until age 65.

The elimination for these subsidies is a key component of the Rehabilitation Plan.

5. **What is meant by retroactive and going forward (prospective)?**
   Retroactive is applicable to benefits earned and accrued in the past. The retroactive elimination of subsidies applies only to the Preferred Schedule for retirements on or after January 1, 2022.

   In the Preferred Schedule, going forward (prospectively) refers to benefits earned and accrued on or after January 1, 2022. In the Default Schedule, going forward (prospectively) refers to benefits earned or accrued on or after the date of adoption or imposition of that Schedule.

6. **Why don't the PPA Surcharges or additional employer contributions count towards benefit accruals?**

   PPA Surcharges and additional employer contributions are designed to help improve the Fund's financial health. PPA Surcharges are a requirement for Red Zone plans and are not applicable to benefit accruals. The additional employer contributions contained in the two schedules are also required by the Rehabilitation Plan rules and do not apply to future benefit accruals.

7. **What is Schedule C? What does it mean by lower future accruals?**

   Schedule C represents the reduced future accrual requirements under the Default Schedule only. The regulatory requirements of a Rehabilitation Plan Default Schedule include reducing all future accruals to 1% of contributions. On average, this represents a 39% reduction in future accruals for Plan participants in the Default Schedule.

8. **Based on this information, I now want to apply for my pension? What do I do?**

   Participants can apply online via the secure participant portal of the website, by submitting a written request to the Pension Department at IAM National Pension Fund, 1300 Connecticut Avenue, NW, Suite 300, Washington, DC 20036-1711, or I can take your information and a Pension Application will be mailed to you.

9. **Does this impact me if I have already requested an application but not yet submitted it?**

   If you have only requested an application but have not submitted a completed application then the payment form changes required by the PPA become effective on April 26, 2019.

Once a Rehabilitation Plan Schedule is adopted or imposed, the changes required by that Schedule will be applied.

10. What if I've submitted my pension application but it is considered incomplete or I haven't received my Participant Statement yet?

If your application is considered incomplete or your Participant Statement is postmarked on or after April 26, 2019, the payment form changes required by the PPA become effective on April 26, 2019.

Once a Rehabilitation Plan Schedule is adopted or imposed, the changes required by that Schedule will be applied.

11. What if I've already submitted a completed application and received my Participant Statement?

If you have submitted a completed application and your Participant Statement (election form) was postmarked prior to April 26, 2019, then your benefits will be unaffected by the changes required on or after April 26, 2019, assuming you return your signed Participant Statement in accordance with Plan rules.

12. Should I expect changes every year now?

Generally, you should not expect changes every year. The Rehabilitation Plan is designed as a 10-year schedule and is intended to protect the Fund's participants' core retirement benefits and strengthen the Fund's financial health over the long term.

However, the Rehabilitation Plan is subject to change during the 10-year schedule. The IAM National Pension Fund Board of Trustees is required to review the effectiveness of the Rehabilitation Plan periodically. Failure to maintain the 10-year projection toward emergence into the Green Zone may require adjustments to the Rehabilitation Plan in the future.

13. Can the Fund guarantee I will get a pension when I retire?

The intent of the Fund is to provide the core retirement benefit at normal retirement age. The Rehabilitation Plan is designed to ensure that we meet those obligations. The Fund, just like all defined benefit plans, does participate in an insurance program designed to guarantee a minimum level of benefits.

14. What if my employer withdraws from the Fund due to these changes?

The Fund has no control over whether employers withdraw from the Fund. That is a matter of discussion for your employer and union if you are covered under a collective bargaining agreement, and by your employer if you are covered under a participation agreement. However, we believe as a participant you should encourage your employer or union to remain in the Fund as it is currently well-funded and has now put in place a Rehabilitation Plan intended to protect the Fund's participants' core retirement benefits and strengthen the Fund's financial health over the long term.

15. What happens to my benefit if my employer withdraws from the Fund?

Once your employer withdraws from the Fund, no future benefit accruals will be earned. Assuming you are vested in the Plan, any benefit paid will be based on prior accruals and Plan rules.

16. Will the government bail the Fund out?

First, the Fund does not need a bail out. It remains well-funded at 89%. Second, under current laws and regulations, the government does not provide bail outs to multi-employer pension funds. Finally, the Rehabilitation Plan is intended to protect the Fund's participants' core retirement benefits and strengthen the Fund's financial health over the long term.

17. Does this have an impact on disqualifying employment rules? Any changes to disqualifying employment rules?

No. The Disqualifying Employment rule changes enacted in 2018 remain in place and unchanged.

18. How do I participate in the decision to elect a Rehabilitation Plan, Schedule, and effective date? Who makes the decision in electing a Rehabilitation Plan?

If you are covered by a collective bargaining agreement, contact your union representative. If you are a non-bargaining unit employee covered by a participation agreement, contact your employer.

19. When can I get an estimate of my future benefits under the rules of the Rehabilitation Plan and Schedules?

Benefit estimates are available on the secure participant portal of the website or by submitting a written request to the Pension Department at IAM National Pension Fund, 1300 Connecticut Avenue, NW, Suite 300, Washington, DC 20036-1711. These estimates are based upon election of the Rehabilitation Plan and Preferred Schedule. If your employer and union or employer adopt the Rehabilitation Plan Default Schedule, once the Benefit Fund Office is made aware future benefit estimates will be adjusted accordingly.

Do not forget that you can review your benefits earned to date in your Annual Benefit Statement. These Statements, reflecting 2018 contributions and benefits, will be sent out by late May/early June 2019.

20. Can I be grandfathered so that the Rehabilitation Plan Schedule changes don't impact my retirement plans? What if I retire by X date – does this still impact me?

No, there are no provisions for grandfathering. However, if you retire prior to the adoption or imposition of the Preferred or Default Schedule, current plan rules apply.

If you retire after adoption of the Preferred Schedule, early retirement subsidies are eliminated no earlier than January 1, 2022. If you retire before that date you may still qualify for these subsidies. If you are subject to the Default Schedule, changes will occur on the date of adoption or imposition.

21. What does a "Declining Credit Balance" mean?

In the years when the Fund brought in more in contributions than it paid out in benefits a positive credit balance was accumulated. Once the Fund began to pay more in benefits than it collected in contributions, the credit balance earned over the years began to decrease. The Rehabilitation Plan is designed to increase the Fund's credit balance and strengthen the financial health over the long term.

22. When did the Trustees make this decision?

The decision to voluntarily elect Red Zone status and adopt a Rehabilitation Plan was made by the Board of Trustees on April 17, 2019. Participants were notified by U.S. Mail on April 26, 2019. The union and employer representatives were also notified by U.S. Mail on the same date.

23. What is Zone Status and what do you mean the Trustees "voluntarily elected" to declare Red Zone Status? How is Zone Status decided? Why would the Trustees voluntarily elect a lower status?

Under the Pension Protection Act, zones are based on certain financial aspects of the Fund. Funds are determined to be in one of four zones: "Green" for a healthy plan, "Yellow" for an endangered plan, "Red" for a plan in critical status, and "Deep Red" for a plan considered critical and declining.

Under the Multiemployer Pension Reform Act of 2014 ("MEPRA"), Boards of Trustees have the option of voluntarily electing Red Zone status to take advantage of the most powerful tools available to protect the Fund's participants' core retirement benefits and strengthen the Fund's financial health over the long term. Based on this tool, the IAM National Pension Fund Board of Trustees voluntarily elected to declare the Fund in the Red Zone.

24. If the Fund is in the Red Zone doesn't that mean the Fund is going to cut current retiree and beneficiary benefits too?

Absolutely not. Plans in the Red Zone are not permitted to reduce payments to retirees and beneficiaries.

25. What is a Rehabilitation Plan?

A Rehabilitation Plan is a legally required plan designed to move Red Zone funds into the Green Zone within 10 years. Funding Improvement Plans apply to Yellow Zone plans.

26. How long is the Rehabilitation Plan in effect?

The Rehabilitation Plan, based on reasonable assumptions, projects that the Fund will emerge into Green Zone status within 10 years. Benefit changes to the Plan remain in place after the Fund emerges from the Rehabilitation Plan into the Green Zone. However, the Board of Trustees does have the right to amend the Plan in the future.

27. What if the Rehabilitation Plan and a Schedule are not adopted?

If a Rehabilitation Plan and one of the two schedules is not adopted within 180 days after your collective bargaining agreement or participation agreement expires, the Default Schedule will be automatically implemented, and the employer will pay an additional non-compounding 10% per year, as well as the compounding contribution increases contained in the Default Schedule and the benefit changes covered under the Default Schedule will apply.

28. What is the contribution increase each year? How will the contribution increase affect my benefit?

First, it is important to understand that all additional contributions made as a result of the Rehabilitation Plan, whether Pension Protection Act (PPA) surcharges or Schedule contribution increases, do not result in future benefit accruals, they are designed to improve funding only.

Prior to adoption of the Rehabilitation Plan, PPA surcharges apply for employers (5% beginning June 1, 2019 and increasing to 10% beginning January 1, 2020).

After adoption of the Rehabilitation Plan, the PPA surcharges are eliminated and, if the Preferred schedule is selected, employers begin paying 2.5% compounding annually for 10 years. If the Default Schedule is selected, they pay 6% compounding annually for 10 years. If the Default Schedule is imposed, they pay the PPA 10% surcharge plus the 6% compounding annually for 10 years.

29. Where does the additional money come from to pay contribution increases? Who pays for contribution increases?

Additional contribution increases are the responsibility of the employer.

30. How do I get additional information? Is there more information I can read to help me understand? Are there other materials that explain all of this?

Please visit www.iambfo.org, select the National Pension Fund icon, and log-in to the secure portion of the website for additional information, including answers to FAQs, explanatory videos, and more.

IAM National Pension Fund

FAQs

<u>Deferred Vested Participants</u>

1. **I am a Deferred Vested Participant, and my former employer no longer contributes to the Plan, how does this affect me?**

   Deferred Vested participants who work or worked for an employer that no longer contributes to the Fund (prior to September 1, 2019) will automatically be part of the Preferred Schedule effective September 1, 2019.

2. **I am a Deferred Vested participant, and my former employer still participates in the Fund, how does this affect me?**

   Deferred Vested participants of employers who still participate in the Fund will fall under the Rehabilitation Plan and Schedule selected by your employer and union if you are covered under a collective bargaining agreement, and by your employer if you are covered under a participation agreement, effective at the time of election or imposition.

3. **As a Deferred Vested participant, is there anything I need to do?**

   No, you do not need to do anything.

4. ***When will I know what Schedule is being applied to me, if my employer still participates in the Fund?***

   Please contact your previous union representative or employer for further information on the timeline they will target for Rehabilitation Plan adoption and Schedule selection.

5. **What does the Rehabilitation Plan and Schedules mean to me? What are the changes if I fall under the Preferred Schedule or Default Schedule? How many schedules are there in the Rehab Plan? How are they different?**

   The first change required by regulations upon voluntarily electing Red Zone status are the elimination of the lump sum death benefit, social security option, partial lump sum, small pension benefit, and return to employment lump sum as of April 26, 2019.

   The changes under the Rehabilitation Plan, are contained in two schedules, the impacts of which are described below:

- **The Preferred Schedule**:

    - Future benefit accruals remain unchanged for participants.
    - Benefit changes include the elimination of all early retirement pension benefit subsidies, effective on January 1, 2022.
    - Adoption of this schedule requires additional employer contributions of 2.5% compounded annually for the length of the Rehabilitation Plan. These additional contributions are designed to strengthen the financial health of the Fund and do not count toward benefit accruals.
    - The Single Life Annuity with 60 Certain Payments option is eliminated.

- **The Default Schedule**:
    - A reduction in future accruals of 39% (Schedule C), effective on the date of adoption or imposition.
    - Benefit changes include the elimination of all early retirement pension benefit subsidies, prospectively only, effective on date of adoption or imposition.
    - Adoption of this schedule requires additional employer contributions of 6%, compounded annually for the length of the Rehabilitation Plan. These additional contributions are designed to strengthen the financial health of the Fund and do not count toward benefit accruals.
    - The Single Life Annuity with 60 Certain Payments option, the 60 Payments Death Benefit, and the Pop-Up provision are eliminated.

How the Rehabilitation Plan affects you depends upon which Schedule will apply. If you are a Deferred Vested participant whose former employer continues to participate in the Fund, the decision on which Schedule applies to you will be made by your employer and union if you were covered by a collective bargaining agreement, and by your employer if you were covered by a participation agreement. If you are a Deferred Vested participant whose former employer no longer participates in the Fund, the Preferred Schedule will apply effective September 1, 2019.

6. What age is normal retirement age?

Assuming you are vested, your normal retirement age is age 65. The Plan's vesting rules require 5 years of vesting service.

7. What does elimination of subsidies mean to me?

As a Deferred Vested participant, it is unlikely that you would qualify for 30 and out, 62 and 20, or disability benefits, unless you have been working in disqualifying employment, therefore, the subsidy elimination impact to you is the increase in the age-reduction factors applied to an early retirement benefit.

The Plan will no longer pay the additional amount required to provide a fully or partially unreduced pension benefit prior to Normal Retirement Age. The elimination for these subsidies is a key component of the Rehabilitation Plan.

Applicability of subsidy elimination depends on, and is described in, the Preferred and Default Schedules.

Examples are contained in the Notice of Reduction in Adjustable Benefits in the mailing and available on the website. Please refer to pages 3 and 4 of the notice.

- **Example**: Steve stops working at age 55 with 15 years of Credited Service and submits his completed pension application. The amount of his monthly Normal Pension if Steve starts receiving payments at age 65 is $1,000.

  - *Under the current Plan*, Steve's Early Retirement Pension is calculated as follows: $1,000, reduced by 48% (.004 * 120 months) = **$520**. Steve would receive an Early Retirement Pension of $520 per month if he retires and starts his pension immediately at age 55 under the current Plan.

  - *Under the Preferred Schedule*, Steve's Early Retirement Pension is calculated as follows: $1,000, reduced by 63.4%, after application of the Early Retirement Reduction Factor at age 55 of .366 = **$366**. Steve would receive an Early Retirement Pension of $366 per month if he retires and starts his pension immediately at age 55 under the Preferred Schedule.

8. Am I losing my pension benefits?

No. As a Deferred Vested participant, your previously earned, accrued benefits are not lost, although early-retirement subsidies have been retroactively eliminated in the Preferred Schedule. If you return to work with a participating employer, your future benefits will be determined by the Rehabilitation Plan and Schedule adopted by your employer.

IAM National Pension Fund

FAQs

Retirees and Beneficiaries – Benefit Recipients

1. **I am a current Retiree or Beneficiary collecting a benefit, what does this mean to me? Am I losing my benefits?**

   There is no impact to your retirement benefits.

2. **I've heard Red Zone plans can eliminate retiree benefits. Is this true?**

   No. Plans in the Red Zone are not permitted to reduce payments to retirees and beneficiaries.

3. **Aren't my benefits protected by Law? Is this change legal?**

   Yes, your benefits are currently protected by federal law. None of the Rehabilitation Plan changes will affect your benefits. Yes, this change is legal and actually required.

4. **I understand my benefits are not being affected today, but doesn't being in the Red Zone mean that it's inevitable that they will be eventually?**
   No, it is not inevitable. The Fund remains well-funded Rehabilitation Plan is designed as a 10-year schedule and is intended to protect the Fund's participants' core retirement benefits and strengthen the Fund's financial health over the long term.

5. **What can I do?**

   Since the Rehabilitation Plan has no impact on your benefit payments there is nothing for you to do.

6. **How do I get additional information?**

   Please visit www.iambfo.org, select the National Pension Fund icon, and log-in to the secure portion of the website for additional information, including answers to FAQs, explanatory videos, and more.

IAM National Pension Fund

FAQs

Employer and Union Representatives

1. **When is adoption of the Rehabilitation Plan required?**
    - Collective Bargaining Agreements:
        - Bargaining parties must adopt the Rehabilitation Plan and select one of the two schedules no later than the expiration of the collective bargaining agreement that was in effect on April 17, 2019 and expires on or after September 1, 2019.
        - For cases in which CBAs have expired and are still open on September 1, 2019 bargaining parties have 180 days from September 1, 2019 to adopt the Rehabilitation Plan and one of the two Schedules.
        - For cases covered by the Railway Labor Act, please contact the Education Department. For Employers, please contact RehabilitationPlan@iamnpf.org. For Union representatives, please email questions to Questions@iamnpf.org.
    - Participation Agreements:
        - When there are both bargained and non-bargained participants at the same location:
            - The Rehabilitation Plan adoption date requirement for non-bargained employees shall be set as if those non-bargained employees were covered under the bargaining parties' CBA at that location in effect on or after September 1, 2019.
        - Non-bargained participants only:
            - The Rehabilitation Plan adoption date requirement for non-bargained employees who are not related to a CBA shall be set as of January 1, 2020.

2. **Can I adopt the Rehabilitation Plan and Schedule prior to the CBA or PA expiration?**

    Yes. Early adoption provisions allow the employer and union, if collectively bargained, or the employer if participation is not collectively bargained, to voluntarily adopt the Rehabilitation Plan and schedules as early as June 1, 2019 or before your CBA or PA expires.

3. **What happens if the Rehabilitation Plan or Schedule is not adopted?**

    If the Rehabilitation Plan and one of the Schedules is not adopted within 180 days after your collective bargaining agreement or PA expiration date as described above, the

Default Schedule will be automatically implemented. If the Default Schedule is automatically implemented employers are then required to pay the 10% PPA surcharge, not compounding, and the 6% employer funding only contributions, compounding annually, for the duration of the Rehabilitation Plan.

4. **What is a PPA Surcharge?**

   A PPA Surcharge is a payment made by the employer that is only directed towards increasing the funding balance. The surcharge is applied as a percentage above the current contribution rate as required by Federal law for Red Zone plans.

5. **When does the Employer start paying the PPA surcharge?**

   All participating employers are required by Federal regulation to begin contributing 5% PPA contribution surcharges effective with hours worked on or after June 1, 2019. Absent adoption of the Rehabilitation Plan and Schedules, the PPA contribution surcharges increase to 10%, effective with hours worked on or after January 1, 2020, and apply continuously until such adoption.

6. **What if the employer doesn't pay the PPA surcharges or required Schedule contribution increases?**

   Employers who do not pay either their PPA surcharge or additional funding-only employer contributions will be subject to collection under the Fund's delinquency policy.

7. **What are the "Additional employer contributions" contained in the Rehabilitation Plan Schedules?**

   These additional contributions, paired with the subsidy eliminations in the Preferred and Default Schedule and reduced future accruals in the Default Schedule, are required as part of the Rehabilitation Plan is designed to increase the Fund's credit balance and strengthen the financial health over the long term. These additional contributions do not count towards future benefit accruals.

8. **When do the "additional employer contributions" start?**

   Additional employer contributions start upon adoption or imposition of the Rehabilitation Plan and one of the two Schedules. Once additional employer contributions start, the obligation to pay PPA surcharges ends, except in the case where the Default Schedule is imposed. Additional employer contributions will continue for the duration of the Rehabilitation Plan.

9. **When do the "additional employer contributions" end?**

The anticipated end of additional employer contributions is when the Fund emerges back into the Green Zone. Under the Rehabilitation Plan and Schedules that is expected to be December 2031.

10. Why should we keep our employees/members in the IAM National Pension Fund?

Remaining in the Fund has distinct advantages because it remains well-funded, the Board of Trustees are committed to meeting the obligation of providing core retirement benefits, and continued participation in the Fund allows participants to increase the value of their core retirement benefit over time.

11. I'm in the five-year free look period, what does that mean for me?

Even if you are in the five-year free look period you are required to adopt the Rehabilitation Plan and one of the schedules at the CBA expiration. You will still have to pay your PPA surcharges and additional funding-only employer contributions after adopting the Rehabilitation Plan and schedule, as long as you remain a contributing employer in the Fund.

The five-year free look period only affects your obligations for withdrawal liability should you withdraw from the Fund within the period.

12. If we select one Rehabilitation Plan Schedule, can we change it at a later date?

No, you may not change your schedule after you have elected one. Even if you are forced into the Default Schedule, you will be unable to elect a different schedule in the future.

13. What happens if the current CBA doesn't expire until after 2022?

You will be required to adopt the Rehabilitation Plan and one of the Schedules in concurrence with the expiring CBA. Failure to adopt within 180 days after the CBA expiration will result in the imposition of the Default Schedule.

14. Will the employer still be bound to withdrawal liability obligations if it withdraws now or after adopting the Rehabilitation Plan and a Schedule? If we want to leave the Fund, can we?

Yes. Employers are still responsible for their withdrawal liability obligations.

15. As the employer, I am going to withdraw from the plan. Do I still have to pay PPA surcharges? Can I leave the Fund to avoid paying surcharges?

Yes, you will still have to pay PPA surcharges and additional employer contributions until you have completely withdrawn from the Fund and are no longer obligated to make future contributions.

16. **Can an employer or union negotiate any different Rehabilitation Plan or Schedule provisions? What if these Schedules don't work for our union and employer, can we negotiate for different terms?**

    No. The provisions set for the Preferred and Default Schedules are non-negotiable.

17. **How do I pay the PPA surcharge and the Rehabilitation Plan funding only contributions? Do we need to pay these additional contributions and surcharges differently than normal contributions? Do I have to pay the Fund with separate payments for contributions and surcharges?**

    The PPA surcharge and the Rehabilitation Plan funding only contribution should be paid at the same time and by the same method the monthly Remittance Report is paid. Specific instructions related to the way you currently submit payments will be provided no later than May 31, 2019, for covered hours on or after June 1, 2019, generally payable in July 2019.

18. **What documents must be executed and supplied to the Fund for adoption of the Rehabilitation Plan and Schedule? How do we adopt the Rehabilitation Plan and Schedule? We've agreed to a Schedule, what do we do now?**

    Once the rehabilitation plan and one of the schedules have been adopted, the following documentation must be provided to the Benefit Fund Office:

    - Agreement adopting the Rehabilitation Plan and one of the schedules such as:
        - Model Adoption Language
        - Memorandum of Agreement
        - Letter of Understanding
        - Resolution Template
        - Collective Bargaining Agreement

    The Model Adoption Language and Resolution Template are available on the website.

19. **What if we approve a new CBA with an effective date prior to September 1, 2019? What do we do now? Are we affected since we just adopted a new CBA?**

    The bargaining parties can wait until the approved CBA expires, at which time they will be required to adopt the Rehabilitation Plan and one of the two Schedules. However, you have the option to adopt as early as June 1, 2019. If you elect to wait, the PPA surcharges will continue to apply until adoption.

CBAs negotiated with the intent of avoiding or evading the adoption of the Rehabilitation Plan and one of the schedules are subject to rejection by the Board of Trustees.

Glossary

Accruals: Benefits earned by Fund participants. Not only will past accruals remain untouched as part of the Rehabilitation Plan, but if your employer and union agree to the Preferred Schedule, your future accruals will also remain unchanged.

BAS: Benefit Administration System. This is the computer software used to administer benefits. Current version known as PIPS.

Collective Bargaining Agreement (CBA): An agreement between an employer and a trade union setting forth the terms and conditions of employment for employees within the union.

Deep Red Zone: A fund considered critical and declining, as determined by the Pension Protection Act.

Default Schedule: One of two schedule options for employers and unions to adopt as part of the Fund's Rehabilitation Plan. The Default Schedule, the parameters of which are determined by the regulations and not the Board, requires the elimination of all plan subsidies prospectively and a reduction in future accruals of 39% (Schedule C) for participants whose bargaining parties have agreed to, or are forced under the regulations into, the Default Schedule.

The Default Schedule contribution and benefit changes will be effective on the date of adoption. However, if your employer and union do not adopt the Rehabilitation Plan and one of the two schedules within 180 days after your collective bargaining agreement expires, the Default Schedule will be automatically implemented, and the employer will pay an additional 10% per year, in addition to the contribution increases contained in the schedule.

Green Zone: A healthy fund, as determined by the Pension Protection Act.

Multiemployer Pension Reform Act (MEPRA): Under the Multiemployer Pension Reform Act ("MEPRA"), when a pension fund is projected to enter the Red Zone within five years, the trustees have the option of voluntarily electing Red Zone status to take advantage of tools to improve the fund's long-term health that would not otherwise be available.

Pension Protection Act (PPA) of 2006: The Pension Protection Act established the most significant changes to pension plans since the Employee Retirement Income Security Act (ERISA) of 1974. Under the Pension Protection Act, four zones were established to rank benefit funds based on financial health: green, yellow, red and deep red.

Preferred Schedule: One of two schedule options for employers and unions to adopt as part of the Fund's Rehabilitation Plan. Future benefit accruals remain unchanged. The Preferred Schedule requires the elimination of all plan subsidies retroactively and prospectively effective on January 1, 2022.

Red Zone: A fund in critical status, as determined by the Pension Protection Fund.

Rehabilitation Plan: A legally required plan designed to move Red Zone funds into the Green Zone within 10 years. The Fund's Rehabilitation Plan includes increased contributions from employers and the elimination of subsidized early retirement pension benefits for participants. There are two schedule options for benefit participants in the Rehabilitation Plan: The Preferred Schedule and the Default Schedule.

Schedule B: Future accrual rate set for new employer groups joining the Fund after 1/1/2003. Applies to all other employers beginning in 2011 and no later than 12/31/2013.

Schedule C: Future accrual rate set for those adopting the Rehabilitation Plan's Default Schedule, effective upon adoption or imposition.

Yellow Zone: An endangered plan, as determined by the Pension Protection Act.