



April 26, 2019

Dear Union or Employer Representative,

Note: If you are responsible for negotiating more than one Collective Bargaining Agreement or Participation Agreement, please be advised that this letter and enclosed material are intended to cover all agreements for participation in the IAM National Pension Fund, to which you are a party.

We are writing to provide you with an important update on the status of the IAM National Pension Fund, in which your members /employees are participants. As you know, the Fund remains in good health and has been certified in the Green Zone through previous difficult market conditions due to prudent decisions we have made.

While the Fund remains well-funded at 89%, in 2019 it has been certified in the Yellow Zone due to a declining credit balance.

As a result of a challenging investment environment and the decline of the Fund's credit balance, the IAM National Pension Fund Board of Trustees has made the difficult but important decision to voluntarily elect to place the Fund in the Red Zone for 2019. This action was taken to protect the Fund's participants' core retirement benefits and strengthen the Fund's financial health over the long term. The Board's decision to proactively take this action was done to take advantage of the most powerful tools available through the Pension Protection Act (PPA) and keep the Fund on a path to long-term stability.

A FEW IMPORTANT THINGS TO UNDERSTAND:

- > Your members/employees are not losing any benefit accruals they have already earned.
- > The purpose of the Fund, as it always has been, is to provide participants and their spouses with a secure core retirement benefit at a normal retirement age.

The Trustees have always acted prudently to maintain the long-term financial health of the Fund and provide core retirement benefits. The Rehabilitation Plan is their next step. The changes made in the Rehabilitation Plan are intended to rebuild the credit balance and bolster the long-term stability of the Fund.

ELECTION OF RED ZONE AND PPA SURCHARGES

As a result of the voluntary election on April 17, 2019 to place the Fund in the Red Zone, all participating employers are required by 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.

REHABILITATION PLAN AND SCHEDULES

Included with this mailing are the Fund's Rehabilitation Plan and schedules. Please review these documents for additional details. **The Rehabilitation Plan offers two schedules to bargaining parties:**

THE PREFERRED SCHEDULE:

- > 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.
- > PPA surcharges are eliminated for employers upon adoption of a schedule.
- > Benefit changes include the elimination of all early retirement pension benefit subsidies for participants, retroactively and prospectively, effective on January 1, 2022.
- > Future benefit accruals remain unchanged for participants.

THE DEFAULT SCHEDULE:

- > 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.
- > PPA surcharges are eliminated for employers upon adoption of a schedule.
- > Benefit changes include the elimination of all early retirement pension benefit subsidies for participants prospectively only, effective on date of adoption or imposition.
- > A reduction in future accruals of 39% (Schedule C), effective on the date of adoption or imposition.
- > While any change in contribution is not an easy decision, the decision to implement a Rehabilitation Plan was made to ensure that the core retirement benefit for all plan participants was maintained.

NOTE: 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.

REHABILITATION PLAN AND SCHEDULE ADOPTION DATE REQUIREMENTS

> **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 in effect on or after September 1, 2019.

> **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 when the Fund entered the Red Zone.

Non-bargained participants only: The Rehabilitation Plan adoption date requirement for non-bargained employees not related to a CBA, shall be set as of January 1, 2020.

If the Rehabilitation Plan and one of the schedules are 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.

Note: Once the Rehabilitation Plan and one of the two schedules are elected it may not be changed. Even if you are forced into the Default Schedule, you will be unable to move to the Preferred Schedule.

REHABILITATION PLAN AND SCHEDULE EFFECTIVE DATE

The Rehabilitation Plan was adopted on April 17, 2019 with an effective date of September 1, 2019. This means that CBAs and PAs expiring on or after September 1, 2019 are required to adopt the Rehabilitation Plan and one of the schedules.

Early adoption provisions allow bargaining parties to voluntarily adopt the Rehabilitation Plan and schedules as early as May 1, 2019.

Note: 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.

REQUIRED DOCUMENTATION

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
- > The Memorandum of Agreement, Letter of Understanding, or Resolution Template
- > The CBA once available
- > The Participation Agreement for non-bargained participants
- > Completed Standard Contract Language if not incorporated into the CBA

ADDITIONAL INFORMATION

For Union Representatives, the Fund Education Department will contact you shortly to share the schedule for upcoming training seminars. Please save your questions until that time. For Employers, please contact our Employer Services Department at RehabilitationPlan@iamnpf.org.

Sincerely,

The IAM National Pension Fund Board of Trustees

