

DISTRICT COUNCIL 82 PAINTING INDUSTRY PENSION PLAN

IMPORTANT NOTICE: PLEASE READ CAREFULLY

TO: Plan Participants and Beneficiaries

FROM: The Board of Trustees

DATE: December 2018

RE: Plan changes effective January 1, 2019

This notice is called a Summary of Material Modifications (SMM) and 204(h) notice. It describes certain changes to your pension plan that will become effective January 1, 2019.

On May 1, 2017, the Minneapolis Painting Industry Pension Plan (Minneapolis Plan) merged with the St. Paul Painting Industry Pension Plan (St. Paul Plan). This merged plan is known as the District Council 82 Pension Plan (DC 82 Plan).

Prior to the merger, both the Minneapolis Plan and St. Paul Plan determined benefits based on the total amount of contributions Participants earned during their careers. Under both plans, these contributions were defined as "Contribution Credits."

Prior to the merger, both plans had adopted "carve-outs" from the hourly contribution rates. Participants did not earn a benefit on the carved-out amounts. Rather, these amounts were used to improve the funding status and future stability of each of the plans. The Trustees for each of the respective plans explained that the amount of the carve-out would be reviewed annually and would be changed as appropriate and necessary by the Trustees.

When the Minneapolis and St. Paul Plans merged, the Trustees agreed that for the first ten years following the merger, the calculation of the necessary carve-out amount would continue to be made separately for participants who came from the St. Paul Plan and Minneapolis Plans. This was done to assure that neither group of Participants was unfairly carrying more than its share of the burden of funding benefits.

The Board of Trustees recently completed its annual evaluation of the funding status of the Plan. As a result of that careful analysis, the Trustees have adopted the following changes to the carve-out amounts for each group, effective January 1, 2019.

Former St. Paul Plan Participants

No Benefits Earned on First \$1.49 of Hourly Contributions

For work performed from May 1, 2017 to December 31, 2018, \$0.89 of each hourly contribution was carved-out for this group. In other words, no benefit was earned on this \$0.89. Instead, it was used to improve the Plan's funding.

Effective for work performed on and after January 1, 2019, the carve-out amount will increase to \$1.49. The \$1.49 amount also will be used to improve the Plan's funding – no benefit is earned on this amount.

Contribution Credit Example

In December 2018, Steve works 100 hours under a bargaining agreement that provides for a \$8.09 per hour contribution rate to the Plan. \$0.89 of each hour's contribution is carved out and dedicated to improving the funding of the Plan. This means that the effective contribution rate is \$7.20 per hour. Steve earned \$720.00 worth of Contribution Credits ($100 \times \$7.20 = \720.00) for December 2018. His benefit at retirement will be based, in part, on those Contribution Credits

In January 2019, Steve works 100 hours under the same bargaining agreement. Now, though, \$1.49 of each hour's contribution is carved out and set aside for funding the Plan, meaning the effective contribution rate is \$6.60 per hour. Steve earned \$660.00 worth of Contribution Credits ($100 \times \$6.60 = \660.00) for January 2019.

Former Minneapolis Plan Participants and Participants who began Participation on or after May 1, 2017

No Benefits Earned on the First \$2.45 of Hourly Contributions

For work performed from November 1, 2015 through December 31, 2018, \$2.99 of each hourly contribution was carved-out for this group. In other words, no benefit was earned on this \$2.99. Instead, it was used to improve the Plan's funding.

Effective for work performed on and after January 1, 2019, the carve-out amount will decrease to \$2.45. The \$2.45 amount also will be used to improve the Plan's funding – no benefit is earned on this amount.

Contribution Credit Example

In December 2018, Andrew works 100 hours under a bargaining agreement that provides for a \$7.99 per hour contribution rate to the Plan. \$2.99 of each hour's contribution is carved out and dedicated to improving the funding of the Plan. This means that the effective contribution rate is \$5.00 per hour. Andrew has earned

\$500.00 worth of Contribution Credits ($100 \times \$5.00 = \500.00) for December 2018. His benefit at retirement will be based, in part, on those Contribution Credits

In January 2019, Andrew works 100 hours under the same bargaining agreement. Now, though, \$2.49 of each hour's contribution is set aside for funding the Plan, meaning the effective contribution rate is \$5.50 per hour. Andrew has earned \$550.00 worth of Contribution Credits ($100 \times \$5.50 = \550.00) for January 2019.

Why are the Carve-out Amounts Different for Each Group?

At the time of the merger, the Minneapolis and St. Paul Plan's were in different positions with respect to their funding goals. At that time, the carve-out amount was projected to allow the Plans, whether separate or combined, to become fully funded by December 31, 2031.

The revisions to the carve-out amounts for 2019 reflect changes needed for each underlying Plan to stay on that course. Many factors can affect these calculations. These include, for example, the entry of new participants into each group, the participants who have retired or died in the preceding year, and the hours worked by each group in the prior year. The Plan's actuary considers these and more factors when determining the appropriate carve-out level for the coming year.

Will Carve-out Amounts Change in Future Years

It is likely that carve out amounts for each group will continue to be adjusted from year to year. As noted above, for the first ten years following the 2017 merger, the carve-out amount will be separately calculated for former participants in the Minneapolis and St. Paul Plans. After that time, one carve-out will apply to all Plan participants.

Please contact the Plan Administrator at (952) 854-0795 if you have any questions about this change to the Plan or any other feature of the Plan.