

IBEW LOCAL NO. 117 PENSION FUND

IMPORTANT MEETING FOR PENSION PLAN PARTICIPANTS PLEASE RSVP BY CALLING (847) 854-7200

September 27, 2021

The Trustees of the IBEW Local No. 117 Pension Fund (the “Fund”) invite **all participants and their spouses** to an important meeting on either October 7 (in-person) or October 13 (via video conference) to discuss the transition of your Local traditional pension plan to a variable benefit pension plan (VBPP). *Keep this letter in a handy place, you will need the password below to attend on October 13.*

Pick-one date, or attend both, **the same information will be presented** at both meetings. So we can manage the attendance at these meetings, please RSVP to the Union Office at (847) 854-7200. For your safety, Local 117 will follow CDC guidelines for masking and social distancing at the in-person meeting.

Date: Thursday, October 7, 2021 (*in-person*)
Time: 6:00 p.m. to 7:00 p.m.
Location: IBEW Local 117 Union Hall
765 Munshaw Lane, Crystal Lake, IL

Date: Wednesday, October 13, 2021 (*webinar*)
Time: **Login at 5:45 pm to start promptly at 6:00 p.m. to 7:00 p.m.**
Location: **Please visit www.ibew117.com at 5:45 p.m. on October 13;** scroll down to **News & Events** and click on the Zoom link under **Pension Webinar**; then enter password: **117VBPP22**. Prior to the meeting you might find it useful to download the Zoom app on your computer or cell phone, which is available at <https://zoom.us/download> or the app store; no need to sign-up for an account.

Who should attend?

Retirement may seem like a long time away for some, but this is an important meeting to help everyone understand how the Union and your Contributing Employers are working to secure your future retirement. We encourage everyone to attend; **spouses are welcome and no Union business will be discussed at these meetings.**

What will be discussed?

The objective of these meetings is to explain the transition from the current traditional pension plan, with a fixed benefit, to a plan with a variable benefit. The following topics will be covered:

1. How the Local pension plan works to provide your retirement benefits;
2. Why this change is being made to secure your future benefits;
3. What is changing in the Fund; and
4. What is not changing in the Fund.

For More Information

If you have any questions about these meetings, please call the Local 117 Union Office at (847) 854-7200. If you have any questions about your individual pension benefit, please contact the Fund Office (see below). You will receive a separate notice in October, called a Summary of Material Modifications (SMM), which will provide additional details regarding this change.

OVERVIEW OF THE TRANSITION TO THE VARIABLE BENEFIT PENSION PLAN (VBPP)

1. In simple terms, what is changing and when?

In the past, your retirement benefit was based on a “multiplier,” which may have changed during your working career from 4.6% to less than 1.8%. The new benefit formula will be based on both a multiplier and the 5-year average investment return in the Fund, which could **raise or lower the portion of your retirement benefit earned after 2021**. The benefit you earned for past contributions will be frozen, but a portion of future contributions will still be allocated to support this legacy benefit until it is fully funded for all participants.

In the past, if you had \$10,000 in credited employer contributions when the multiplier was 1.8%, you earned a fixed lifetime retirement benefit at your normal retirement age of \$180 per month (\$10,000 x 1.8%). Under the new variable benefit pension formula, the multiplier will be initially set at 1.5%, which the actuaries have determined will provide **approximately the same benefit over your retirement**, since future benefits will no longer be fixed and can increase over time.

Starting in 2022, at the journeyman wage rate, \$9.50/hr. (non-credited) will be allocated to fund the legacy benefit and approximately \$8.21/hr. will be 100% credited to the new VBPP formula; this compares to the current split for journeyman of \$7.25/hr. non-credited and 10.46/hr. credited; other wage rates will have different splits; **further details of the calculation will be provided at the meetings**.

2. What is not changing

There is still only one IBEW Local 117 pension plan; benefits paid to **current retirees will not be affected by the change**. You will still have the right to take a portion (up to 15%) of your benefit as a lump sum distribution, and the benefits you have earned through 2021 will not be affected by this change. If you retire before 2022, you will have no contributions under the new VBPP formula, and your benefit will be the same as it was calculated in the past. This change is being made to help secure benefits for all participants and reduce the need to make future non-credited contribution increases and/or changes to the benefit multiplier.

3. How will the investment return of the Fund impact my future retirement benefits?

Future benefits will be adjusted based on a 5-year average of the annual rates of investment return calculated by the actuary from the audited financial statements. The Trustees have established a “hurdle rate” for this investment return of 5%. If the actual average return is higher than 5%, the variable benefit will increase, if it is less than 5%, the variable benefit will decrease.

The average investment return of the Fund over the 5-years ending December 31, 2020 has exceeded 5%, and the Trustees believe that 5% can be reasonably achieved in the future, but there is no guarantee that the Fund will be able to achieve this return over any future time period. Therefore, there is no guarantee that the VBPP benefit will increase each year. The 5-year average return will be less volatile than any single year during the 5-year rolling time period, which helps reduce future changes to the VBPP benefit.

4. Why is this change being made?

Future investment returns are an important part of maintaining lifetime benefits for you and your spouse. However, a recent survey in the investment industry projects lower returns in the future. The VBPP design generally allows future benefits to remain fully funded regardless of investment returns.

The new formula is designed so that contributions allocated to the VBPP benefit are fully credited. As the legacy benefit becomes better funded, the \$9.50/hr. allocated to the legacy benefit can be reduced and reallocated to the VBPP or other benefits. However, there is no guarantee that additional contributions will not be needed to support the legacy benefit.