



SUMMARY OF MATERIAL MODIFICATIONS

To the International Painters and Allied Trades Industry Pension Plan
From the IUPAT Industry Pension Fund Board of Trustees
July 2016

Distribution List

Plan Participants

Participating District Councils and Local Unions

Participating Employers

This is a summary of recent changes affecting your benefits under the International Painters & Allied Trades Industry Pension Plan (the “IUPAT Industry Pension Plan” or “Plan”). It is a “Summary of Material Modifications” to the Summary Plan Description (“SPD”) for the Plan and is distributed in compliance with the Employee Retirement Income Security Act (ERISA). You should keep this information with your SPD as it reflects changes in the information in the SPD.

RETIREMENT AND REPORTING WORK AFTER RETIREMENT

Retirement Defined. With the economic crisis and decline in work after 2008, many plans experienced a wave of retirements which drained plan assets and the investment return needed to improve plan funding levels. The IRS apparently became concerned about this trend and issued a ruling that clearly prohibits payment of early retirement benefits to individuals who do not actually “retire,” which means leaving work for all contributing employers (and other suspendible work in the IUPAT industries) with no intention to return to work. The Plan will interpret references to “retirement” or “retire” relating to early retirement benefits in the plan accordingly.

The IRS rule requires the plan to document your actual separation from the industry at the time of a pension application and has several ramifications.

- You must give up any right to continue work under a collective bargaining agreement or any other contract with any contributing employer in order to take early retirement. The Fund Office may confirm your resignation with your employer.
- You will not have a valid retirement if you have an arrangement or expectation to return to work with a contributing employer (in any capacity) or other suspendible work after your pension begins, regardless of the lapse of time before your return.
- If you file an application but continue to work or do not return benefit election forms on a timely basis, the Plan normally will not be able to treat your application as a valid retirement application. The Plan may also need additional evidence of actual retirement for any later retirement application.
- If you return to work shortly after your pension starts, your pension may be revoked retroactively and not just be suspended. The available guidance on plan administration of the IRS rules suggests that any return to work within 60 days of retirement will invalidate a retirement application and work within 6 months of retirement may require additional

investigation. As noted above, the IRS rules do not recognize any set time limit and any pre-retirement plan or arrangement to return to work may invalidate your pension application.

If the Plan finds that you have not retired under IRS rules and these procedures, your pension application and any benefit election form will not be legally effective and you will be required to repay any pension benefits paid to you. You will need to file a new application when you actually retire.

The IRS has separate rules on phased retirement and does not require that you refrain from all work to retire after age 65. You must still file an advance application to receive pension payments up until April 1 of the year after you turn age 70 ½. No pension benefits are payable for any month before an application is filed with the Fund Office and benefits can be suspended for industry work over 40 hours in a month as explained in the full SPD.

Reporting Work After Retirement. The IRS position on retirement emphasizes that defined benefit pension plans promising lifetime benefits - rather than a fixed dollar amount - are built on a tradeoff between ongoing work with additional pension accruals and collecting a pension. The Plan has suspension of benefits rules that are geared to protect active workers and the contribution base for the Pension Fund for this reason. They are described in detail in the SPD.

You are obligated to tell the Pension Fund when you return to work that may cause a suspension of your benefits. To be safe, you should report any work relating to IUPAT trades or other construction work. **You may ask for an advance determination whether work that you proposed to perform will result in a suspension of your benefits.** This can be done by writing to the Fund Administrator, IUPAT Industry Pension Fund, 7234 Parkway Drive, Hanover, MD 21076.

If you do not inform the Plan of your work, the Plan will assume that you have been working more than forty (40) hours per month upon being notified of any work of a type that could result in suspension of benefits. It will be your responsibility to prove that the work should not cause a suspension of benefits, either because you worked less than forty (40) hours per month (after age 65) or the type of work you performed.

WAIVER OF SUSPENSION

The Pension Plan has provisions to grant “waivers” or “exceptions” to the suspension of benefit rules in limited circumstances. This updated section replaces the section on **Waiver of Suspension** in the SPD.

Generally, these waivers or exceptions will not be granted on an individual basis. Waivers or exceptions to the suspension rules will generally only be granted in circumstances where the needs of the industry or marketplace are such that groups having skills in specific trades, or groups in specific geographic areas, should be permitted to work without impacting the receipt of their retirement benefit. If you believe a waiver is appropriate for your area on this basis, you should contact your Local Union or District Council to initiate the waiver process. The Fund Office can confirm whether a waiver has been requested and granted.

BENEFITS FOR POST-RETIREMENT WORK

The Trustees adopted clear rules for calculation and payment of benefits for post-retirement work in 2016 or later years. These rules entirely replace the section on **Resumed Benefits After Suspension** in the SPD and may modify other parts of the SPD.

Late Retirement. These rules only apply after retirement. If you do not retire until after your Normal Retirement Age, your benefits will be calculated and adjusted as described in the sections on **Late Retirement With Work After Normal Retirement Age** and **Late Retirement Without Work After Normal Retirement Age of the SPD**. Before Normal Retirement Age, the Plan benefits are simply the retirement benefits described in the SPD.

Work without Suspension - Pay-and-Offset Benefits. If a retiree returns to work in 2016 or later after retirement without a full suspension of benefits, pension benefit accruals for the post-retirement work will be calculated under a uniform “pay and offset” rule.

The “pay and offset” method allows the Plan to take account of the extra payments by comparing the retirement benefits received while working under a waiver each year to the actuarial lump sum value of any benefit your additional work may earn for that year. If the retirement benefits a retiree receives in a year are greater than the value of the benefits otherwise earned for work in that year, he or she will not receive an additional benefit adjustment to his or her retirement benefit.

Suspended Benefits. If pension benefits are suspended completely during a return to work, the “pay-and-offset” rule has no impact. The retiree will receive any additional benefits earned in addition to his prior pension benefit as he or she has not received any benefits from the pension plan while working. The Fund Office will also conduct an actuarial review at age 65 to ensure that the combined effect of early retirement reductions and suspension do not leave a retiree with benefits that are worth less than if he or she had just waited until Normal Retirement Age to retire.

Recalculation and Payment Dates. The Trustees also looked for standard rules on resumed payment of benefits after a suspension and payment of additional benefits for post-retirement work. This was complicated by IRS rules that differ before age 65, from age 65 to 70 ½, and after age 70 ½.

- *Early Retirement.* Due to IRS rules which may require a new spouse waiver and benefit election for any increase in benefits before (but not after) age 65, benefits for pensioners on Early Retirement will continue or resume only at the original monthly amount when a retiree stops suspendible work (with or without a waiver).

Any additional benefits earned for work after retirement will only be calculated and paid when the retiree reaches age 65 or, if later, stops suspendible work in the IUPAT trades and so notifies the Fund Office in writing. The Fund Office will then update the benefit amount for all work and actuarial adjustments and provide the retiree with a new waiver and payment election form for any additional benefits earned for post-retirement work.

- *After Normal Retirement Age (normally, age 65).* Once you reach Normal Retirement Age, resumed benefits (due to suspension) and any additional benefits for post-retirement work will be paid once a retiree stops working in suspendible work and so notifies the Fund Office in writing. Any additional benefits will be re-calculated for each year worked under the “pay-and-offset”

method and be paid in the same form of payment that you elected at or after Normal Retirement Age.

- *Mandatory Payment after Age 70 ½.* If you are still working at your mandatory payment date (April 1 after the year you turn age 70 ½), the IRS rules switch course and work like a uniform waiver of suspension. As a result, the Fund Office will automatically adjust and begin payment of the benefits for all work up to that date. It will then re-calculate any additional benefits for work in later years under the “pay-and-offset” method and pay any additional benefits from January of the following year forward.

CALCULATION EXAMPLES

Below are three examples to show the range and impact of the different benefit calculations and an offset for benefits received.

Participant Benefits After a Suspension

Participant A retired at age 55. His total accrued monthly benefit was \$1,000. He was eligible for an unreduced early retirement benefit. He retired with a monthly benefit of \$1,000. He was retired for 6 years and then went back to work for 4 years. The additional accruals earned during his reemployment equaled \$300.

Participant A’s benefit was suspended during the period when he returned to work. When he subsequently stopped working, his original benefit of \$1,000 was restored and he received an additional monthly benefit of \$300. His total monthly check starting at age 65 was \$1,300.

Participant Benefits with no Suspension and no Pay-and-Offset Adjustment

Participant B retired at age 55. Her total accrued monthly benefit was \$1,000. She was eligible for an unreduced early retirement benefit and retired with a monthly benefit of \$1,000. She was retired for 6 years and then went back to work for 4 years with no suspension of the \$1,000 per month benefit. If she had not retired, the additional accruals earned during her reemployment would equal \$300.

The Plan previously had multiple calculation options for benefits for post-retirement work, but the highest option generally was simply to add the new benefit accrual to the prior monthly benefit. In this situation, even though Participant B’s benefit was not suspended during the period when she returned to work, her original benefit would continue and be increased by an additional monthly benefit of \$300 when she stopped work.

Participant Benefits with no Suspension but a Pay-and-Offset Adjustment

The Plan has been clarified to have only one formula for post-retirement benefits. This example has the same facts as the prior example for Participant B with the same original pension benefit, retirement date and post-retirement work. The difference is that the benefit accrual for post-retirement work is adjusted for the value of benefits received during post-retirement work.

Under the pay-and-offset rule, the actuarial value of the benefits Participant B received each year is translated into an equivalent lifetime monthly benefit. If the value of equivalent lifetime monthly

benefit is greater than the additional benefit earned during post-retirement work, no additional benefit is paid. This is the situation for Participant B as shown in the chart.

<u>Participant</u>	<u>Normal Benefit</u> <u>Earned for</u> <u>Waiver Work</u>	<u>Pension Benefits</u> <u>Paid during</u> <u>Waiver Work</u>	<u>Monthly Benefit</u> <u>Equivalent to Pension</u> <u>Paid during Waiver</u> <u>Work</u>	<u>Net Additional</u> <u>Pension Benefits</u> <u>= (2) – (4)</u> <u>(not less than zero)</u>
<u>Age</u> <u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>
61	\$75	\$12,000	\$99	\$0
62	\$75	\$12,000	\$101	\$0
63	\$75	\$12,000	\$103	\$0
64	<u>\$75</u>	\$12,000	\$105	<u>\$0</u>
TOTAL	\$300			\$0

The term 'waiver work' is used to indicate work with no suspension

As the value of benefits received was greater than the new accrual, there is no additional pension when Participant B stops work. In other words, the value of benefits that she received was worth more than the new benefits she would have earned and completely offset her new accruals. She will continue to receive \$1,000 per month but no more on leaving work.

UNIFORM LOCATIONS FOR LAWSUITS AND OTHER LEGAL PROCEEDINGS (Venue)

The Trustees clarified the rules on lawsuits and other legal actions or proceedings against the Plan or its Trustees by participants, employers, and anyone else who has a claim against the Plan.

- Any lawsuit against the Plan or its fiduciaries or the Trustees, as plan sponsor, can only be filed in the United States District Court for the District of Maryland or the United States District Court for the District of Columbia.
- If a claim cannot be brought in federal court, a lawsuit can be filed in the courts of the State of Maryland or the District of Columbia.
- There is an exception that allows an individual participant seeking Plan benefits to file suit in the United States District Court for his or her current residence.

Similar rules apply to any administrative proceedings, arbitration, or other legal actions or proceedings against the Plan that are not filed with a court. These must be filed with the office or agency with jurisdiction over the Fund Office in Hanover, Maryland.

These limitations apply to all administrative proceedings, arbitrations, lawsuits, or other legal action on a claim or other action against the Plan, its Trustees or other fiduciaries unless controlling law prohibits the restriction.

TRUSTEE CHANGE

There is a change in the Union Trustees due to a retirement.

FORMER UNION TRUSTEE	NEW UNION TRUSTEE
James Reid IUPAT 7234 Parkway Drive Hanover, MD 21076	Mark Van Zevern IUPAT 7234 Parkway Drive Hanover, MD 21076

FUND ADMINISTRATOR

Corinne M. Koch has replaced Daniel R. Williams as the Fund Administrator. Mr. Williams has returned to the IUPAT General Office.

ORGANIZATIONS HOLDING PENSION PLAN ASSETS

The Pension Plan has added some collective investment funds.

New Collective Fund Name	Address
AFL-CIO Equity Index Fund	Chevy Chase Trust 7501 Wisconsin Avenue, Suite 1500W Bethesda, Maryland 20814
AmeriServ ERECT Fund I	AmeriServ 216 Franklin Street, PO Box 520 Johnstown, PA 15907
Artisan International Growth Trust	Artisan Partners Limited Partnership 100 Pine Street, Suite 2950, San Francisco, CA 94111
GMO Benchmark-Free Allocation Fund III	Grantham, Mayo, Van Otterloo & Co., LLC 40 Rowes Wharf Boston, MA 02110
NIS Dynamic Fixed Income	National Investment Services 200 W Madison Street, Suite 2900 Chicago, IL 60606
PIMCO All Asset All Authority Fund	PIMCO 650 Newport Center Drive Newport Beach, CA 92660
Siguler Guff Trade Finance Opportunities Fund, LP	Siguler Guff & Company, LP 825 Third Avenue, 10 th Floor New York, NY 10022
WCP Special Core Plus Fund, L.P	Westport Capital Partners LLC 40 Danbury Road Wilton, CT 06897

The Pension Plan also terminated some collective investment funds.

Terminated (Former) Collective Fund Name	Address
GMO Global Asset Allocation Fund	Grantham, Mayo, Van Otterloo & Co., LLC 40 Rowes Wharf Boston, MA 02110
NTGI-QM Labor Select Collective Daily Russell 3000 Equity Index Fund – Lending	Northern Trust Global Investments 50 South LaSalle Street, M23 Chicago, IL 60675
PIMCO All Asset Fund	PIMCO 650 Newport Center Drive Newport Beach, CA 92660

These changes may also be reflected on the 2015 Form 5500. This form will be filed by October 15, 2016 and will be available at www.efast.dol.gov under the Plan’s Employer Identification Number and Plan number after filing.

The Plan has claimed an exclusion from the definition of the term “commodity pool operator” pursuant to the Commodity Exchange Act and Commodity Futures Trading Commission Regulation 4.5(c) and therefore, is not subject to registration or regulation as a commodity pool operator.

QUESTIONS

The Fund Office will be happy to answer your questions and the concerns that inevitably accompany a change in benefits. Please feel free to contact the Fund Office toll free at (800) 554-2479, at (410) 564-5500, or write to the Fund Administrator at pension@iupat.org or via the address on this letter.



**INTERNATIONAL PAINTERS AND ALLIED TRADES
INDUSTRY PENSION FUND**

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