SPECIAL BULLETIN

To: All US Plan Retirees
    All US Participating District Councils and Local Unions

From: U.S. IUPAT Industry Pension Fund Board of Trustees

Date: December 2015

Re: Annual Reminders & Suspension of Benefits Rules – 2016

This notice is to remind you of your tax options and the suspension of benefit rules of the International Painters & Allied Trades Pension Fund (“Pension Fund”) and the impact they have on your benefits. There is a more detailed explanation in the Summary Plan Description ( SPD) for the Pension Fund.

WORK BEFORE NORMAL RETIREMENT AGE
If you are retired and return to work before your normal retirement age (generally age 65), you can lose all or part of your pension checks during any month you work in any of the following areas, regardless of the number of hours of work.

(1) employment with any contributing employer;
(2) employment with any employer in the same or related business as any contributing employer;
(3) self-employment in the same or related business as any contributing employer;
(4) employment or self-employment in any business which is or may be under the jurisdiction of the Union;
(5) employment with any labor organization or any of its affiliated entities, including, but not limited to, employee benefit funds, committees or other related organizations;
(6) employment, including self-employment, in any Non-Covered Employment; or
(7) any employment, including self-employment, of any kind or nature in the Painting and Allied Trades Industry.

A waiver of suspension as described below may affect your benefits.
RETURNING TO WORK AFTER NORMAL RETIREMENT AGE

The rules on returning to work after normal retirement age (generally age 65) are different but still operate on a month-to-month basis. If you are retired and return to work after normal retirement age (generally age 65), you can work up to forty (40) hours per month:

(1) in any occupation covered by the Plan on your retirement date (or, if later, the first day of the month after you reached normal retirement age);
(2) another occupation which involves skills you used or learned in contributory IUPAT work;
(3) or selling, retailing, managerial, clerical, professional occupations, or supervisory activities relating to such skills.

The rules and hours limit applies to all work in the industry, union or non-union, and regardless or whether pension contributions to the Pension Fund are required for the work. If you work more than the forty (40) hour per month limit, your suspendible benefits will not be paid for that month and any payments you received while working can be recovered from future payments or your other assets.

Note: You can work in OTHER industries without suspension of benefits, regardless of the number of hours of work or pay. The suspension rules are geared to protecting active workers and the contribution base for the Pension Fund. As with early retirement, a waiver of suspension as described below may affect your benefits.

REPORTING WORK

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. 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

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 with no intention to return to work. (Similar rules appear to apply in Canada). This ruling led to a complete review of the Pension Plan’s suspension and benefits rules and clear rules for calculation and payment of benefits for post-retirement work in 2016 or later years.

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, which legally can be applied for post-retirement work at all ages.

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. 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 70½, and after age 70½.

- 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.

**Post-Retirement Work Before 2016.** The prior Plan had multiple possible calculation options for benefits for post-retirement work. The Fund Office is reviewing its records on all retirees for any additional benefits for work before 2016 and will advise individuals of adjustments in their benefits. We hope to complete this process by April of 2016.

**CALCULATION EXAMPLES**

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

**Participant’s Benefits were Suspended**
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 with a Suspension Waiver and Benefit Increase**
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 with a Suspension Waiver and Offset**
The third example also involves Participant B and the same 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.

The actuarial value of the benefits Participant B received each year was greater than the accruals during the year as follows:
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 early completely offset her new accruals. She will continue to receive $1,000 per month but no more on leaving work.

**INCOME TAX WITHHOLDING**

You may change your choice on whether you want federal income tax withheld from your pension and the amount to be withheld at any time. Your current choice on withholding remains in effect until you file a new withholding certificate (Form W-4P) with the Fund. If your pension is less than $1,720 a month, we will not withhold income tax unless you specifically ask us to do so. In all other cases, the Plan must withhold tax from your payments and compute the amount of tax that will be withheld from your benefit payment on the assumption that you are married and entitled to three exemptions until the Fund Office receives an election for no withholding or a withholding certificate (W-4P Form) from you showing a different basis for withholding. Form W-4P is available from IRS offices or by calling 1-800-TAX-FORM. If you make a change, it will be put into effect no later than the first day of the month which is at least thirty (30) days after we receive the form.

You must make advance payment of income tax to the IRS, either through withholding or through estimated tax payments. There are penalties if you fail to make minimum advance payments. In very general terms, these penalties are likely if your withholding and estimated tax payments are less than 80% of your ultimate income tax liability for the year. Your decision on withholding is an important one. You may wish to discuss it with a qualified tax advisor.

---

This notice is a summary of material modifications and benefit accrual changes under 29 USC §§1022, 1024, 1054(h) and 26 USC §4980F of the Internal Revenue Code. If you have any questions about this notice or your benefits under the Plan, please contact the Fund Administrator, Corinne Koch, 7234 Parkway Drive, Hanover, MD 21076, 410-584-5500.