Northern Nevada Plumbers & Pipefitters
Variable Defined Benefit Plan

June 2019

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Retirement Planning Challenges

Providing retirement benefits and saving for future retirement is challenging

- **LONGEVITY RISK**: You don’t know how long you will live
- **INVESTMENT RISK**: You don’t know the value of your Plan’s assets in the future
- **ECONOMIC RISK**: You don’t know how reliable contributions will be to fund benefits
- **INFLATION RISK**: You don’t know how much things will cost in the future
U.A. Local 350 members currently participate in two retirement plans:

- Plumbers & Pipefitters National Pension Fund
- U.A. Local 350 Retirement Plan (401(k) Plan)
Plumbers & Pipefitters National Pension Fund

- Traditional pension plan – provides lifetime income in retirement
- Low benefit accrual rate due to large amount of unfunded liability
- Benefits are not protected from inflation
- Benefit accruals are capped at 2,100 hours per year
Background

Current Retirement Program

U.A. Local 350 Retirement Plan – 401(k) Plan

- Traditional 401(k) plan
- Allows members to save additional money for retirement
- $0.75 / hour employer contribution
- Employee elective deferrals of $0 to $8 per hour, in $1 increments
- Benefits are typically paid as a lump sum payout at retirement
- Retiree is responsible for investment risk and longevity risk
New Variable Defined Benefit Plan

Variable DB Plan

Plumbers & Pipefitters National Pension Fund

401(k) Plan
New Variable Defined Benefit Plan

Variable DB Plan

Benefits that adjust every year
No cap on annual benefit accruals
Transition benefits

- Stays fully funded in all markets
- Minimizes withdrawal liability
- Stabilizes contributions
- Keeps pace with inflation
New Variable Defined Benefit Plan

Earning Benefits Under the Variable DB Plan

- Hours worked
- Contribution rate
- Benefit accrual

- Benefit accrual
- Investment Return for Year
- Hurdle rate

=
Key Provisions
Variable Defined Benefit Plan

<table>
<thead>
<tr>
<th>Plan Provision</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit Accrual</td>
<td>Hours based benefit accrual with “Save and Restore” provision. 1,500 hours = 1 benefit credit</td>
</tr>
<tr>
<td>Hurdle Rate</td>
<td>5.0%</td>
</tr>
<tr>
<td>Annual Benefit Increase Cap</td>
<td>8.0% (excess used to fund Save and Restore reserve)</td>
</tr>
<tr>
<td>Vesting Requirement</td>
<td>5 year cliff (750 hours = 1 year of vesting service); or age 65 &amp; active</td>
</tr>
</tbody>
</table>
| Early Retirement               | Normal retirement age = 65  
• Eligible for early retirement at age 55 with 5 years of service.  
• Unreduced benefits available at age 62, must retire from active service  
• Rule of 85 (age + service = 85+):  
  ➢ Unreduced benefits available at age 60, must retire from active service |
| Transition Benefits            | Temporary transition in place for 10 years  
• Larger benefit accruals provide for eligible group during 10 year transition period  
• Must be age 50+ and have 10+ years of service on August 1, 2019 to be eligible |
Key Provisions
Variable Defined Benefit Plan

**Ongoing Benefit Formula**

- **Annual Benefit Accrual**
  - Standard Benefit Accrual rate = $63* per benefit credit (subject to Transition Provisions)
  - Benefit is paid monthly at NRA (age 65)
  - 1,500 hours worked = 1 benefit credit
  - 75 hours worked = 0.05 benefit credits
  - No cap on benefit credits earned in a plan year

**Transition Benefit Provisions**

<table>
<thead>
<tr>
<th>Age and Service at Transition</th>
<th>Benefit Accrual Rate First 10 Years</th>
<th>Benefit Accrual Rate Starting Year 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 55+ &amp; 10+ Yrs of Svc</td>
<td>$81*</td>
<td>$63*</td>
</tr>
<tr>
<td>Age 50 – 54.9 &amp; 10+ Yrs of Svc</td>
<td>$72*</td>
<td>$63*</td>
</tr>
<tr>
<td>Less than 10 Yrs of Svc</td>
<td>$54*</td>
<td>$63*</td>
</tr>
</tbody>
</table>

*Benefit accrual rates shown above are based on a pension contribution rate of $3.00 per hour. Benefit accrual rates will be pro-rated for contribution rates different than $3.00 per hour.
Annual Benefit Accruals
Variable Defined Benefit Plan

**Hours worked:** Varies

**Employee contribution:** $3.00/hr.

**Accrual rate:** $63.00/mo.

<table>
<thead>
<tr>
<th>Hours Worked</th>
<th>Benefit Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 74</td>
<td>0.50</td>
</tr>
<tr>
<td>75 - 149</td>
<td>0.75</td>
</tr>
<tr>
<td>150 - 224</td>
<td>1.0</td>
</tr>
<tr>
<td>225 - 299</td>
<td>1.15</td>
</tr>
<tr>
<td>300 - 374</td>
<td>1.30</td>
</tr>
<tr>
<td>375 - 449</td>
<td>1.40</td>
</tr>
<tr>
<td>450 - 524</td>
<td>1.50</td>
</tr>
<tr>
<td>525 - 599</td>
<td>1.60</td>
</tr>
<tr>
<td>600 - 674</td>
<td>1.70</td>
</tr>
<tr>
<td>675 - 749</td>
<td>1.80</td>
</tr>
<tr>
<td>750 - 824</td>
<td>1.90</td>
</tr>
<tr>
<td>825 - 899</td>
<td>2.00</td>
</tr>
<tr>
<td>900 - 974</td>
<td>2.15</td>
</tr>
<tr>
<td>975 - 1049</td>
<td>2.30</td>
</tr>
<tr>
<td>1050 - 1124</td>
<td>2.45</td>
</tr>
<tr>
<td>1125 - 1199</td>
<td>2.60</td>
</tr>
<tr>
<td>1200 - 1274</td>
<td>2.75</td>
</tr>
<tr>
<td>1275 - 1349</td>
<td>2.90</td>
</tr>
<tr>
<td>1350 - 1424</td>
<td>3.00</td>
</tr>
<tr>
<td>1425 - 1499</td>
<td>3.15</td>
</tr>
<tr>
<td>1500 - 1574</td>
<td>3.30</td>
</tr>
<tr>
<td>1575 - 1649</td>
<td>3.45</td>
</tr>
<tr>
<td>1650 - 1724</td>
<td>3.60</td>
</tr>
<tr>
<td>1725 - 1799</td>
<td>3.75</td>
</tr>
<tr>
<td>1800 - 1874</td>
<td>3.90</td>
</tr>
<tr>
<td>1875 - 1949</td>
<td>4.05</td>
</tr>
<tr>
<td>1950 - 2024</td>
<td>4.20</td>
</tr>
</tbody>
</table>

**Example Table:**

<table>
<thead>
<tr>
<th>Hours</th>
<th>Credit</th>
<th>Hours</th>
<th>Credit</th>
<th>Hours</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>675</td>
<td>0.45</td>
<td>1350</td>
<td>0.90</td>
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<tr>
<td>75</td>
<td>0.05</td>
<td>750</td>
<td>0.50</td>
<td>1425</td>
<td>0.95</td>
</tr>
<tr>
<td>150</td>
<td>0.10</td>
<td>825</td>
<td>0.55</td>
<td>1500</td>
<td>1.00</td>
</tr>
<tr>
<td>225</td>
<td>0.15</td>
<td>900</td>
<td>0.60</td>
<td>1575</td>
<td>1.05</td>
</tr>
<tr>
<td>300</td>
<td>0.20</td>
<td>975</td>
<td>0.65</td>
<td>1650</td>
<td>1.10</td>
</tr>
<tr>
<td>375</td>
<td>0.25</td>
<td>1050</td>
<td>0.70</td>
<td>1725</td>
<td>1.15</td>
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<tr>
<td>450</td>
<td>0.30</td>
<td>1125</td>
<td>0.75</td>
<td>1800</td>
<td>1.20</td>
</tr>
<tr>
<td>525</td>
<td>0.35</td>
<td>1200</td>
<td>0.80</td>
<td>1875</td>
<td>1.25</td>
</tr>
<tr>
<td>600</td>
<td>0.40</td>
<td>1275</td>
<td>0.85</td>
<td>1950</td>
<td>1.30</td>
</tr>
</tbody>
</table>

**Calculations:**

- Year 1: $63.00 x 0.50 = $31.50/mo.
- Year 2: $63.00 x 0.75 = $47.25/mo.
- Year 3: $63.00 x 1.0 = $63.00/mo.
- Year 4: $63.00 x 1.15 = $72.45/mo.
- Year 5: $63.00 x 1.30 = $81.90/mo.
Annual Benefit Adjustments  
Variable Defined Benefit Plan

**Hours worked:** 1,500/yr. (= 1 benefit credit)  
**Employee contribution:** $3.00/hr.  
**Accrual rate:** $63.00/mo.  
**Hurdle rate:** 5.00%

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Benefit adjustments shown below due to investment returns are simplified for presentation purposes. Actual adjustments will be slightly different.

---

<table>
<thead>
<tr>
<th>Year</th>
<th>BOY Benefit</th>
<th>Benefit Accrual</th>
<th>Prior Yr. Inv. Return</th>
<th>Excess Return</th>
<th>EOY Benefit (Pre-adjustment)</th>
<th>EOY Benefit (Post-adjustment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$0</td>
<td>$63.00</td>
<td>5%</td>
<td>0%</td>
<td>$63.00</td>
<td>$63.00 x 1.00 = $63.00</td>
</tr>
<tr>
<td>2</td>
<td>$63.00</td>
<td>$63.00</td>
<td>8%</td>
<td>3%</td>
<td>$63.00 + $63.00 = $126.00</td>
<td>$126.00 x 1.03 = $129.78</td>
</tr>
<tr>
<td>3</td>
<td>$129.78</td>
<td>$63.00</td>
<td>10%</td>
<td>5%</td>
<td>$129.78 + $63.00 = $192.78</td>
<td>$192.78 x 1.05 = $202.42</td>
</tr>
<tr>
<td>4</td>
<td>$202.42</td>
<td>$63.00</td>
<td>15%</td>
<td>8%*</td>
<td>$202.42 + $63.00 = $265.42</td>
<td>$265.42 x 1.08 = $286.65</td>
</tr>
<tr>
<td>5</td>
<td>$286.65</td>
<td>$63.00</td>
<td>7%</td>
<td>2%</td>
<td>$286.65 + $63.00 = $349.65</td>
<td>$349.65 x 1.02 = $356.64</td>
</tr>
</tbody>
</table>

* The 8% annual cap applies
Variable Defined Benefit Plan

SAVE & RESTORE
Save and Restore Provision

Variable Defined Benefit Plan

Save and Restore Provision

• Save and Restore provision is designed to prevent benefits from decreasing in a down market
• A “rainy day fund” is established to temporarily restore benefits when investment returns fall short of 5%
• Rainy day fund has two sources of funding:
  1. Small portion of hourly contributions made to the Plan
  2. Excess investment returns when the plan’s assets perform exceptionally well
Save and Restore Provision
Variable Defined Benefit Plan

Active Participant
Hours worked: 1,500/yr. (= 1 benefit credit)
Employee contribution: $3.00/hr.
Accrual rate: $63.00/mo.
Hurdle rate: 5.00%

<table>
<thead>
<tr>
<th>Year</th>
<th>BOY Benefit</th>
<th>Benefit Accrual</th>
<th>Prior Yr. Inv. Return</th>
<th>Excess Return</th>
<th>EOY Benefit (Pre-adjustment)</th>
<th>EOY Benefit (Post-adjustment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$0</td>
<td>$63.00</td>
<td>5%</td>
<td>0%</td>
<td>$63.00</td>
<td>$63.00 x 1.00 = $63.00</td>
</tr>
<tr>
<td>2</td>
<td>$63.00</td>
<td>$63.00</td>
<td>8%</td>
<td>3%</td>
<td>$63.00 + $63.00 = $126.00</td>
<td>$126.00 x 1.03 = $129.78</td>
</tr>
<tr>
<td>3</td>
<td>$129.78</td>
<td>$63.00</td>
<td>2%</td>
<td>-3%</td>
<td>$129.78 + $63.00 = $192.78</td>
<td>$192.78 x 0.97 = $187.00</td>
</tr>
</tbody>
</table>

Using the rainy day fund, benefit after Year 3 is restored to $192.78

| 4    | $187.00     | $63.00          | 17%                   | 8%*          | $187.00 + $63.00 = $250.00  | $250.00 x 1.08 = $270.00    |
| 5    | $270.00     | $63.00          | 7%                    | 2%           | $270.00 + $63.00 = $333.00  | $333.00 x 1.02 = $339.66    |

 Benefit adjustments shown below due to investment returns are simplified for presentation purposes. Actual adjustments will be slightly different.

* The 8% annual cap applies
Save and Restore Provision
Variable Defined Benefit Plan

Retired Participant
Benefit at Retirement: $2,000/mo.

*Benefit adjustments shown below due to investment returns are simplified for presentation purposes. Actual adjustments will be slightly different.*

<table>
<thead>
<tr>
<th>Year</th>
<th>BOY Benefit</th>
<th>Prior Yr. Inv. Return</th>
<th>Excess Return</th>
<th>Benefit (Post-adjustment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$2,000.00</td>
<td>5%</td>
<td>0%</td>
<td>$2,000.00</td>
</tr>
<tr>
<td>2</td>
<td>$2,000.00</td>
<td>8%</td>
<td>3%</td>
<td>$2,000.00 x 1.03 = $2,060.00</td>
</tr>
<tr>
<td>3</td>
<td>$2,060.00</td>
<td>10%</td>
<td>5%</td>
<td>$2,060.00 x 1.05 = $2,163.00</td>
</tr>
<tr>
<td>4</td>
<td>$2,163.00</td>
<td>-2%</td>
<td>-7%</td>
<td>$2,163.00 x 0.93 = $2,011.59</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Using the rainy day fund, benefit after Year 4 is restored to $2,163.00</strong></td>
</tr>
<tr>
<td>5</td>
<td>$2,011.59</td>
<td>16%</td>
<td>8%*</td>
<td>$2,011.59 x 1.08 = $2,172.52</td>
</tr>
</tbody>
</table>

* The 8% annual cap applies
Personalized Benefit Statements

Variable Defined Benefit Plan

John Doe
1234 West Street
Reno, Nevada 89703

Beginning August 1, 2019, in addition to the benefits you are earning from the Plumbers & Pipefitters National Pension Fund and the U.A. Local 350 Retirement Plan, you will begin earning benefits in a new pension plan called the Northern Nevada Plumbers & Pipefitters Variable Defined Benefit Plan. This new plan will provide you with an additional layer of lifetime retirement benefits.

The Northern Nevada Plumbers & Pipefitters Variable DB Plan is designed to stay fully funded in all markets and provide you with lifetime benefits that are expected to grow in retirement and keep pace with inflation.

Three Plans Together = Your Total Retirement Benefit

- **NATIONAL PENSION PLAN**: A traditional pension plan that provides lifetime retirement benefits to participants. On retirement, you will receive a level annuity payment that does not change in your retirement years.

- **U.A. LOCAL 350 RETIREMENT PLAN**: A defined contribution plan that allows you to build up an account balance during your working years, then take a lump sum upon retirement.

- **VARIABLE DEFINED BENEFIT PLAN**: A defined benefit plan that provides lifetime retirement benefits to participants. The benefits you have earned adjust annually, up or down, based on the plan's investment performance compared to a target rate of return called a hurdle rate. These adjustments occur during your working years and during your retirement years.
Personalized Benefit Statements
Variable Defined Benefit Plan

How the New Variable DB Plan Works

You will earn a benefit each year based on covered hours worked with U.A. Local 350 and the hourly contribution rate being made on your behalf. The total benefit is payable as a monthly annuity in retirement.

Once benefits are earned, they are adjusted to reflect the plan’s actual investment performance compared to the pre-established hurdle rate of 5%. Your accumulated benefits will therefore change from year to year, increasing in years when the return on plan assets is higher than 5% and decreasing in years when the return on plan assets is lower than 5%.

The plan aims to protect benefits from decreasing during a market downturn by using a rainy-day fund. This rainy-day fund will be financed from two main sources. First, a portion of plan contributions will feed the fund annually. Second, we limit the increase in the annual benefit adjustment to 8%. This means when investment returns exceed the hurdle rate by more than 8%, the excess return will be carved off and added to the rainy-day fund. This rainy-day fund is used to temporarily restore benefits to their highest previous level when investment returns fall short of the 5% hurdle and benefits would otherwise go down.

Benefit Accruals and Transition Benefits

Under the Variable DB Plan, participants will earn Variable Benefit Accruals based on hours worked and the hourly contribution rate paid into the plan. It will take 1,500 hours to earn a full Benefit Credit; partial Benefit Credits are granted for each 75-hour increment worked. There is no limit on the number of Benefit Credits you can earn in a year...so the more you work, the bigger the benefit you will earn.

For an hourly contribution rate of $3.00, the Standard Benefit accrual for each Benefit Credit in the future (i.e., 1,500 hours) is scheduled to be a monthly retirement benefit of $63.00 (accruals will also be adjusted on a prorated basis if hourly contribution rates are different than $3.00). If your hours for a year are different than 1,500 hours, you may earn more or less than the $63.00 benefit for the year.

As an example, if you were to work at least 1,875 hours but less than 1,950 hours in a year, you would earn 1.25 Benefit Credits for the year. At the Standard Benefit accrual, this would then result in a monthly retirement benefit of $78.75 for that year's work ($78.75 = $63.00 x 1.25).

The Standard Benefit accrual is not scheduled to apply at first. This is because older workers will have fewer years to accrue benefits under this plan compared to younger workers. There will be less time for their Variable Benefit Accruals to grow, and the benefits they receive through the National Plan may not be sufficient to meet their needs throughout retirement.
Personalized Benefit Statements
Variable Defined Benefit Plan

How the New Variable DB Plan Will Work for You

Key Features of Your Personalized Benefit Projections

Variable Benefits Based on Performance:
Each year, your Variable benefit amount will change based on the prior year's investment return. If returns are good and exceed the 5% hurdle rate, your benefit will go up. In years when investment returns are particularly high, the benefit increases are capped at 8%. This means when investment returns exceed the hurdle rate by more than 8%, the excess return will be carved off and added to the Save and Restore reserve, a rainy-day fund that is intended to provide protection from benefit decreases when returns are low. If returns are less than the 5% hurdle rate, your Variable benefit amount would decline. However, if we have sufficient assets in the Save and Restore reserve, your plan is set up to allow the Variable benefit to be temporarily restored to its previous level.

Variable DB Restoration:
The Variable DB restoration includes a “Save and Restore” feature that protects benefits from decreasing during a market downturn by using a rainy-day fund to secure benefits. While not guaranteed, the rainy-day fund is intended to be used to restore benefits when the plan investment returns fall short of the hurdle rate and benefits would otherwise decline.

Keeping Pace with Inflation:
The value of the underlying pension benefit you earn under the new Variable DB Plan will increase or decrease based on the Plan's investment returns. Monthly benefit amounts are adjusted annually based on the plan's investment performance compared to a 5% hurdle rate established by Plan Trustees. We anticipate the Plan's assets will be able to earn more than this hurdle rate per year, on average. As a result, benefit amounts are expected to increase over time, which helps keep pace with inflation, rather than remaining at a fixed amount each year.
Personalized Benefit Statements

Variable Defined Benefit Plan

Additional Provisions of the New Variable DB Benefit Plan

The new Variable DB Pension Plan is designed to provide you with lifetime benefits that are expected to grow in retirement and keep pace with inflation.

Early Retirement

The Normal Retirement Age for the Variable DB Plan has been set at age 65. You can start your benefits after you have terminated your employment as early as age 55, however earlier retirement ages will generally result in benefit reductions being applied for early commencement (and the longer expected payout period).

The Variable DB Plan has implemented two early retirement alternatives that could allow you to start your retirement benefit early without reduction. Both alternatives require you to be vested and retire sooner after you work in covered active employment. You can satisfy this requirement if you have at least 750 hours of covered employment in three of the four plan years preceding your retirement date.

If you meet this recent work criteria, you can start your benefit at age 62 without any reduction for early retirement. If you meet this “recent work” criteria and start your benefit between age 55 and 62, your benefit will be reduced from age 62.

The plan will also recognize a special “Rule of 85” early retirement. If you satisfy the recent work criteria described above, and your Age + Years of Vesting Service as of your retirement date equals or exceeds 85, then you can start your benefit at age 60 without any reduction for early retirement. If you satisfy the Rule of 85 criteria and start your benefit between age 55 and 60, your benefit will be reduced from age 60.

Based on the information we have on file, if you continue to work at least 750 hours of covered employment each year, you would be eligible to retire as early as age 60 with an unreduced benefit under the Rule of 85 early retirement provision.

FAQs

Will this plan replace my current retirement plans?

No. You will continue to earn benefits through the Plumbers & Pipefitters National Pension Fund and the U.A. Local 350 Retirement Plan. If approved, the new Variable DB Plan will provide you with an additional layer of lifetime retirement benefits.

When does the plan go into effect?

Subject to member approval, the plan is scheduled to go into effect on Aug. 1, 2019. You would start to earn benefits in this new plan for hours worked on and after that date. Once approved, no action is needed on your part to take advantage of this plan.

When do I become 100% vested in my benefit?

Similar to the National Pension Fund, you need 5 years of vesting service to be 100% vested in your benefit. You will earn a year of vesting service for any plan year during which you work at least 750 hours. In addition, your years of past service with U.A. Local 350 as of August 1, 2019 will count towards vesting service in the Variable DB Plan.

Is there a minimum number of hours I need to work each year to earn a benefit?

Yes. You need to work at least 75 hours of covered employment to earn a benefit each year. This is lower than the 150 hour requirement under the National Pension Fund. The more hours you work during the year, the more benefits you will earn.

VISIT THE LOCAL 350 WEBSITE

http://ualocal350.org/benefits

FOR MORE INFORMATION INCLUDING:

FAQs  VIDEOS  PLAN DOCUMENTS
Personalized Benefit Statements

Variable Defined Benefit Plan

Visiting the UA LOCAL 350 Website:

http://ualocal350.org/benefits

For more information, including:

- FAQs
- Videos
- Plan Documents