

OPERATING ENGINEERS TRUST FUNDS

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Operating Engineers Pension Plan Notice of Changes to Eligibility for the Early Pension [ERISA Section 204(h)]



5/6/2021

Introduction

This notice is to inform you of a change to the rules of the Operating Engineers Pension Plan which affects eligibility for the Early Pension. The Board of Trustees of the Operating Engineers Pension Trust adopted this change, and the Trust is required by federal law to give notice of the change to you.

How will the Plan be changed?

The current rule of the Plan allows a Participant to apply for an Early Pension when the Participant is 45 years old. The monthly pension is based on all of the credits in the Participant's account. The new rule will require the Participant to wait until age 55 to begin receiving an Early Pension based on credits earned during and after July 2021. However, even after this change a Participant may still apply for an Early Pension at age 45 if the pension is based only on credits earned during or before June 2021.

When does this change to the Plan take effect?

July 1, 2021

How will this change in the age of eligibility for an Early Pension affect applications for this type of pension?

Nothing has changed if a Participant applies for an Early Pension, and the Participant only has credits earned before July 1, 2021. In a case such as this, the age of eligibility is still age 45, and the Participant's pension will be based on all of the credits in the Participant's account with the Trust

However, if a Participant only has credits earned during July 2021 or later, then the Participant must wait until age 55 to receive an Early Pension.

Most Participants who apply for an Early Pension in the coming months and years will probably have some credits earned before July 1, 2021, and some credits which are earned after that date.

A special rule will apply to these Early Pension applicants. They can apply for an Early Pension beginning at age 45, but the payment will only be based on the credits earned by the Participant during or before June 2021. The Participant will have to wait until age 55 to be eligible for an Early Pension based on credits earned during or after July 2021 and will have to make a separate application for that second Early Pension. Also, the Participant may wait until age 62 or later to apply for the second pension based on credits earned during or after July 2021 and take the benefits on those credits as a Regular Pension.

What is not changing?

Eligibility for an Early Pension will still require the Participant to be vested or to have a certain number of hours or credits. The requirement is three Pension Credits or 3,000 hours before a Permanent Break in Employment on or before June 30, 1978, or six Pension Credits or 6,000 hours before a Permanent Break in Employment. This is the current requirement, and it is not changing.

Also, the way the Early Pension is calculated is not changing. The first step is to determine the amount of the Regular Pension as if the Participant were 62 years old. The next step is to reduce that amount by one-quarter of one percent for each month the Participant is younger than age 62 on the Annuity Starting Date, which is the date when pension payments begin. There can be a greater reduction – one-half of one percent per month for each month the Participant is younger than age 62 if the Participant has a Break in Employment caused by working for an employer doing operating engineer work but not paying contributions to the Operating Engineers Pension Trust.

A Participant retiring with an Early Pension will still qualify for a lump-sum benefit in addition to the monthly pension, and the amount will still be based on a payment equal to the product of multiplying \$250.00 by the total number of Pension Credits in the Participant's account to a maximum of \$2500.00. As before, the lump sum will be reduced by any lump sum paid at a previous retirement, or by any amount designated by the Participant to be paid to a designated beneficiary at death.

The requirement that a Participant stop all operating engineer work to be eligible for an Early Retirement also remains the same. Before Normal Retirement Age, which is typically age 65, a Participant must withdraw completely and refrain from any employment which includes the performance of the type of duties covered by any operating engineer agreement no matter where that work is done. The Participant must stop doing operating engineer work to retire with an Early Pension, and if the Participant starts operating engineer employment again after retirement, the Trust will have to suspend the Early Pension until the prohibited employment stops and the Participant meets all other Pension Plan conditions for resuming pension benefits.

The single life annuity will remain the automatic form of benefit payable to the unmarried Participant and the qualified joint and survivor annuity as the automatic form of benefit for the married Participant. The notice, election and revocation procedures of the Pension Plan for the qualified joint and survivor annuity for Participants and their spouses will apply to each application for pension by a married Participant.

Examples:

Example 1: A Participant, age 47, decides in July 2021 to retire and submits a written application to the Fund Office of the Trust requesting an Early Pension with an Annuity Starting Date of August 1, 2021. The Participant has 20 Pension Credits, all of which were earned before July 1, 2021. Even though the Participant is not yet age 55, and the application was submitted after July 1, 2021, when the new rule took effect, the Fund Office can grant the Early Pension because all of the Participant's credits were earned before July 1, 2021.

Example 2: A Participant, age 53, decides in January 2041 to retire and submits a written application to the Fund Office requesting an Early Pension with an Annuity Starting Date of April 1, 2041. The Participant has 30 Pension Credits, all of which were earned after July 1, 2021. The Fund Office will have to deny this application. All of the Participant's credits were earned after July 1, 2021. The Participant will have to wait until age 55 to be eligible for an Early Pension.

Example 3: A Participant, age 45, decides in September 2025 to retire and submits a written application to the Fund Office requesting an Early Pension with an Annuity Starting Date of October 1, 2025. The Participant has 25 Pension Credits. The Participant earned 20 of those credits before July 1, 2021, and earned five of the credits after July 1, 2021. The Fund Office can grant the application for the Early Pension based on the 20 credits earned before July 1, 2021 because the Participant is age 45. However, the Participant will have to wait until reaching age 55 to submit a second application for an Early Pension based on the five credits earned after July 1, 2021. The Participant does wait until age 55, submits the second application and receives a second pension award as an Early Pension based on the credits earned after July 1, 2021.

Example 4: A Participant, age 50, decides in September 2030 to retire and submits a written application to the Fund Office requesting an Early Pension with an Annuity Starting Date of October 1, 2030. The Participant has 40 Pension Credits. The Participant earned 25 of those credits before July 1, 2021, and earned 15 of the credits after July 1, 2021. The Fund Office can grant the application for the Early Pension based on the 25 credits earned before July 1, 2021 because the Participant is over the age of 45, but the Participant will have to wait to submit a second application based on the 15 credits earned after July 1, 2021. The Participant decides to wait until reaching age 62 and submits a written application for a Regular Pension upon reaching age 62 based on the 15 credits earned after July 1, 2021. The Fund Office grants the application for the Regular Pension.

Example 5: A married Participant, age 52 decides in February 2045 to retire and submits a written application to the Fund Office requesting an Early Pension with an Annuity Starting Date of March 2045. The Participant has 57 Pension Credits. The Participant earned 12 of those credits before July 1, 2021, and earned 45 of the credits after July 1, 2021. The Fund Office gives the Participant and spouse written notice of the qualified joint and survivor annuity and the option to elect the single life annuity. The Participant and spouse decide to take the qualified joint and survivor annuity, and the Fund Office grants the Early Pension based on the 12 credits earned before July 1, 2021. One year later, in February 2046, the Participant and spouse divorce, and in August 2046, the Participant marries spouse number two. In January 2048, the Participant reaches age 55 and submits a second application for an Early Pension to the Fund Office based on the 45 credits earned after July 1, 2021. The Fund Office gives the Participant and the second spouse written notice of the qualified joint and survivor annuity and the option to elect the single life annuity on the 45 credits. The participant and the second spouse decide to take the qualified joint and survivor annuity, and the Fund Office grants the second Early Pension based on the 45 credits earned after July 1, 2021.

For more information:

This notice is provided for your information in accord with Section 204(h) of the Employee Retirement Income Security Act of 1974, as amended, and Section 4980F of the Internal Revenue Code of 1986, as amended, and does not require any action on your part. Please keep this notice with other information you have about the Operating Engineers Pension Plan so you will have it as a reference at the time of retirement. If you have any questions about this notice or the provisions of the Operating Engineers Pension, please call (866) 400-5200 to speak with a representative at the Fund Office.

