

## Important Plan Benefit Change

**Date:** December 31, 2013  
**To:** All Pension Plan Participants  
**RE:** Pension Plan Changes effective February 1, 2014

**IMPORTANT: If you are already retired and collecting a pension from the Fund with an effective date on or before February 1, 2014, none of the changes described in this announcement will change the benefit you are currently receiving. Only work performed on and after February 1, 2014 will have any effect on how you earn future Pension benefits.**

On **December 23, 2010**, a Notice of Funded Status was mailed to each pension plan participant. The Notice stated that on **November 29, 2010**, the Pension Plan's actuary certified that the Pension Plan was in seriously endangered status as of the beginning of the ERISA Plan Year that began on **September 1, 2010**. Since then, you have received annual Notices of Funded Status telling you that the Plan has remained in either seriously endangered or endangered status.

When a plan is first certified by the actuary as seriously endangered or endangered, the Plan Sponsor is required by law to adopt a "Funding Improvement Plan" within 240 days from the date of certification. The objective and purpose of a Funding Improvement Plan is to provide a "road map" or formal plan to restore the financial condition of the pension plan. As collective bargaining agreements expire, any new collective bargaining agreement must contain terms consistent with one of the Funding Improvement Plan "**Schedules**." Each of these Schedules provides for different increased employer contributions and/or reductions **in future benefits**. If no Schedule is adopted within 180 days following the expiration of the prior collective bargaining agreement, a "**Default Schedule**" is automatically imposed on the employer and its employees. The law also requires that the Funding Improvement Plan be reviewed at least once each year that the plan remains in seriously endangered or endangered status and updated as needed.

On **June 27, 2011**, the Board of Trustees adopted the required Funding Improvement Plan for the Pension Plan. This Funding Improvement Plan included two **Schedules** – an **Alternative Schedule** and a **Default Schedule**. The Funding Improvement Plan was later updated on June 22, 2012, but both Schedules remained unchanged. When their collective bargaining agreements expired in June 2013, Employers adopted the **Alternative Schedule**. At its June 2013 meeting, the Board of Trustees voted to implement the two **Alternative Schedule** changes for benefits earned as a result of hours worked **on or after February 1, 2014**. **Benefits earned prior to that date remain unchanged.**

### **Changes to the Pension Plan based upon the Funding Improvement Plan's "Alternative Schedule"**

There are two changes being made to comply with the Funding Improvement Plan *Alternative Schedule*. The first change applies to how you earn benefits **for work** that takes place **on and after February 1, 2014**. The second change applies to how the amount of your **Supplemental Benefit** is calculated for Credited Service earned **after February 1, 2014**.

### **Earning a Benefit for Work on or after February 1, 2014**

In order for Participants to earn a benefit from the Pension Plan, they must work a minimum of 300 hours in Covered Employment in a Plan Credit Year (February 1 – January 31) for an Employer that contributes to the Plan. For the period July 1, 2005 through January 31, 2014, the earned benefit for each such Plan Credit Year is 2% of the first \$3.20 of each hourly contribution (eligible contribution). The balance of the hourly contribution is used to improve the funding status of the Pension Fund and is an important part of the Funding Improvement Plan.

Effective for *work* that takes place **on and after February 1, 2014**, the 2% of eligible contributions is being reduced to 1.75% of eligible contributions to comply with the Funding Improvement Plan’s Alternative Schedule. The chart below provides examples of how this reduction will affect the pension benefits for different Hours Worked in **Plan Credit Years** before and after February 1, 2014.

Plan Credit Year Hours Worked	Hourly Contribution Rate Maximum	Total Contributions	2.00% of Contributions July 1, 2005 - January 31, 2014	1.75% of Contributions Effective February 1, 2014
300	\$3.20	\$960.00	\$19.20	\$16.80
600	\$3.20	\$1,920.00	\$38.40	\$33.60
900	\$3.20	\$2,880.00	\$57.60	\$50.40
1,200	\$3.20	\$3,840.00	\$76.80	\$67.20

**Supplemental Benefit Reduction—for Credited Service earned after February 1, 2014**

The Plan provides a “supplemental benefit” to Pensioners or Beneficiaries who are receiving a Regular, Early Retirement, Service or Disability Pension. Those receiving benefits under either a Pro Rata or Partial Pension are only eligible for the supplemental benefit if the majority of their Combined Credited Service was earned under the Cement Masons Pension Trust Fund for Northern California.

The Funding Improvement Plan “**Alternative Schedule**” also provides for a reduction of 12.5% (87.5% of the original amount) to the Plan’s supplemental benefit for Credited Service earned **after February 1, 2014**.

Examples of how to calculate the supplemental benefit begins with the first step below—determining when the Separation from Covered Employment took place. For the purpose of our examples on page 4, the Separation from Covered Employment takes place **on or after September 1, 1997**.

- **First** – The base amount of the supplemental benefit depends upon whether you incurred a Separation from Covered Employment and, if so, **when** the most recent Separation occurred (see table below).

<b>When Most Recent Separation Occurred</b>	<b>Base Monthly Supplemental Benefit Amount</b>
Prior to September 1, 1987	\$0.00
September 1, 1987 through August 31, 1988	\$80.00
September 1, 1988 through August 31, 1997	\$140.00
September 1, 1997 and later or no Separation	\$240.00

- **Second** – See example #1 on page 4. If your Separation from Covered Employment occurred prior to the earliest age at which you first became eligible for a Regular, Early Retirement or Service Pension, your base supplemental benefit amount is pro-rated by multiplying it by the following fraction (not to exceed 1.00):

$$\frac{\text{Your Years of Credited Service earned up to when you stopped working}}{\text{Your total Years of Credited Service had you continued to work up to your earliest retirement age}}$$

$\frac{25 \text{ (used in the examples on page 4)}}{27 \text{ (used in the examples on page 4)}}$
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- **Third** – See example #2 on page 4—if all Credited Service takes place **after February 1, 2014**.
- **Fourth** – See example #3 on page 4—a combination of Credited Service **before and after February 1, 2014**.

## **Changes to the Pension Plan based upon the Funding Improvement Plan's "Default Schedule"**

**Important: As of the date of this notice, no Participant benefits are subject to the Default Schedule. The information below is only provided to satisfy the Plan's disclosure requirements.**

If you become subject to the current Default Schedule, how you earn benefits and how the amount of your Supplemental Benefit is calculated based on work that takes place after that date is subject to the following:

- Effective for work that takes place on or after a Participant's benefits become subject to the Default Schedule of the Funding Improvement Plan, the earned benefit for each Plan Credit Year is reduced from 2.00% to 0.75% of the first \$3.20 (eligible contribution) of each hourly contribution to comply with the Default Schedule of the Funding Improvement Plan. You must work a minimum of 300 Hours in Covered Employment to earn a benefit in a Plan Credit Year.
- The portion of the supplemental benefit earned on or after February 1, 2014 is calculated in the same way as described in this announcement, except that the benefit is then reduced by 62.5% (in other words, it is 37.5% of the original amount).

### **Questions**

If you have questions about these Pension Plan changes, call the Trust Fund Office, Monday through Friday, 8:00 AM to 5:00 PM.

Sincerely,

Board of Trustees

This notice is a brief summary of the change being made to the Plan effective February 1, 2014. As such, it does not contain all details that may be relevant to your pension. In order to gain a fuller understanding of your benefits, you should read your Summary Plan Description booklet (including update notices). The actual operation of the Pension Plan is governed by its rules and regulations which supersede any statement contained in notices of this type or the Summary Plan Description.

**Exhibit – Examples of the supplemental benefit calculation under the Funding Improvement Plan “Alternative Schedule”**

**Example 1 – Supplemental Benefit Where All Credited Service Takes Place before February 1, 2014**

A Participant's entire Credited Service is earned before February 1, 2014. He is age 53 and earned 25 Years of Credited Service when he incurred a Separation from Covered Employment after September 1, 1997. At age 53, he has 2 more years until he reaches age 55—his earliest retirement age (25 + 2 = 27):

Base Supplemental Benefit (for Separations on and after September 1, 1997)	\$240.00
Years of Credited Service at Separation (age 53)	25
Years of Credited Service had he worked until his earliest retirement age (age 55)	27
Adjustment Fraction	$25/27 = .9259$
Supplemental Benefit	$.9259 \times \$240.00 = \mathbf{\$222.22}$

**Example 2 – Supplemental Benefit Where All Credited Service Takes Place after February 1, 2014**

A Participant's entire Credited Service is earned after February 1, 2014. He is age 53 and earned 25 Years of Credited Service when he incurred a Separation from Covered Employment after September 1, 1997. At age 53, he has 2 more years until he reaches age 55—his earliest retirement age (25 + 2 = 27):

Base Supplemental Benefit (for Separations on and after September 1, 1997)	\$240.00
Years of Credited Service at Separation (age 53)	25
Years of Credited Service had he worked until his earliest retirement age (age 55)	27
Adjustment Fraction	$25/27 = .9259$
Supplemental Benefit	$.9259 \times \$240.00 = \$222.22$
Post-February 1, 2014 Adjustment	$87.5\% \text{ of } \$222.22 = \mathbf{\$194.44}$

**Example 3 – Supplemental Benefit Where There is a Combination of Pre- and Post-February 1, 2014 Credited Service**

The Participant's Credited Service involves both pre and post February 1, 2014 service. Just as in examples 1 and 2, he is age 53 and he earned 25 Years of Credited Service when he incurs a Separation from Covered Employment. He has 2 more years until he reaches his earliest retirement age of 55. In this example, he earned 20 of his 25 Years of Credited Service before February 1, 2014 and 5 Years of Credited Service after February 1, 2014:

Base Supplemental Benefit (for separations on and after September 1, 1997)	\$240.00	
	Credited Service Before February 1, 2014	Credited Service After February 1, 2014
Years of Credited Service at Separation (age 53)	20	5
Years of Credited Service had he worked until his earliest retirement age (age 55)	27	27
Adjustment Factor	$20/27 = .7407$	$5/27 = .1852$
Supplemental Benefit	$.7407 \times \$240.00 = \$177.77$	$.1852 \times \$240.00 = \$44.45$
Additional Post-February 1, 2014 Adjustment	Not Applicable	$87.5\% \text{ of } \$44.45 = \$38.89$
Total Supplemental Benefit	$\$177.77 + 38.89 = \mathbf{\$216.66}$	