// FOR YOUR BENEFIT
THE NEWSLETTER OF THE LOCAL 295/851 EMPLOYER GROUP BENEFIT PLANS
VOL. VIII, ISSUE 2, AUGUST, 2009

FOR YOUR BENEFIT

PENSION FUND REHABILITATION PLAN IS NOW FINALIZED AND WELFARE FUND REGULATIONS HAVE BEEN CHANGED

Previously announced that the Pension Fund is in "critical status"… It was announced last year that the Local 295/Local 851 Employer Group Pension Plan actuary determined the Fund was classified as being in "critical status" for the 2008-2009 plan year. The "critical status" was announced in a funding notice that was mailed to all of the Plan participants. Critical is one of the categories established by a new federal law that requires the Plan to follow some new funding rules. The newly mandated funding rules, together with dramatic market downward spirals have put the Pension Fund into "critical status."

Rehabilitation Plan mandated… As required by the new pension legislation, the Board of Trustees, the Fund Actuary and the other fund professionals have been working on a Rehabilitation Plan. The Rehabilitation Plan has been finalized and a formal notice was sent to all of the participants, the contributing employers and the local unions on June 1st.

Thirteen year program… The Rehabilitation Plan will be implemented over a period of thirteen years. The Rehabilitation Plan includes benefit reductions and the elimination of some benefits. The Rehabilitation Plan requires increases in employer contributions to help pay for the Preferred Schedule of benefits. If any employer does not agree to the terms of the Preferred Schedule, all employees of that employer will come under the Default Schedule which will further reduce or eliminate their benefits. This newsletter edition highlights the Pension Plan benefit changes.

Welfare Fund regulations have been changed… A badly sagging economy, a very high number of layoffs, poor investment performance and a badly shrinking active worker population, coupled with an increasing number of claims, skyrocketing health care costs and a surge of pension applications are all taking their toll on the Welfare Fund.

As a result, it was necessary to change some of the Welfare Fund's regulations to help it regain some of its financial stability. A Summary of Material Modifications announcing the changes was sent to all of the active and retired participants on June 25, 2009. Among the changes is a requirement for retirees to pay for part of the cost of their health plan coverage. Also, some premium payments will have to made by persons who are on temporary extensions of coverage as well. And, some of the eligibility rules have been changed.

The eligibility rule changes shorten the period of remaining health benefit plan coverage following lay off and the regulations have been revised regarding continuation of coverage for disabled sons and daughters. This edition of For Your Benefit highlights the Welfare Fund changes that have been made. ■

PENSION FUND REHABILITATION PLAN

The Local 295/Local 851 Employer Group Pension Plan has not had a benefit reduction at any time during its 50-year history. Now, unfortunately, as of July 1, 2009, some of the benefits must be reduced and some of the benefits must be eliminated. These changes are part of a Rehabilitation Plan that is required by the Internal Revenue Code and ERISA, as added by the Pension Protection Act of 2006.

The Rehabilitation Plan calls for a combination of benefit reductions together with increased employer contributions. This combination will provide a Preferred Schedule of benefits. If any employers do not agree to the terms of the Preferred Schedule, the employees of those employers will be subject to the Default Schedule. Under the Default Schedule, benefits are further reduced and some benefits are completely eliminated.

Retirees on the benefit rolls are not affected… Benefits will not be reduced or eliminated for any person who started receiving pension benefits on or before May 20, 2009. Also, if the Fund Office received your completed application for benefits on or before May 20, 2009 or notification from your employer that your employment terminated and you are receiving severance benefits, you will be considered as a Grandfathered Participant and your pension benefit eligibility will not be affected by the terms of the Rehabilitation Plan.

(continued on page 2)

(Rehabilitation Plan – continued from page 1)

Not a Grandfathered Participant? Benefits could reduce or stop completely… If you are not a Grandfathered Participant and you have elected to receive the 25 Year Service Pension, the Rule-of-70 Pension, the Early Retirement Pension or the Vested Retirement Pension, the benefits paid to you prior to July 1, 2009 will be calculated based on the provisions in effect before the Rehabilitation Plan. Benefits paid to you on July 1, 2009 and later will be based on the terms of the Rehabilitation Plan. As a result, your benefits could be reduced or stopped completely as of July 1, 2009.

Earning Benefit Service… Employees earn one year of Benefit Service if they work in covered employment for 36 or more weeks in a Plan Year. A Plan Year is the 12 months beginning each July 1st. The Benefit Service is credited pro-rata for covered employment of 16 to 36 weeks.

Accrual rate… The accrual rate is a unit of benefit that eligible participants may expect to receive for each year or partial year of Benefit Service in the Pension Plan.

The amount of your monthly benefit is determined by multiplying your years of Benefit Service times the accrual rate.

Please note that in addition to the minimum number of benefit years of service required to receive a benefit, the Pension Plan also requires that at least two of the benefit years of service are from employer contributions.

Previous accrual rates… Your benefit accrual rate is dependent upon whether you are a full-time employee or a part-time employee and the amount of weekly contribution being paid into the Plan by your employer.

Until June 30, 2009, the accrual rates were $115.00, $74.00 or $50.00 per month for each year of Benefit Service earned.

- The $115 accrual rate applied to full-time employees whose employers paid more than $65.00 a week of contributions.
- The $74.00 accrual rate applied to full-time employees whose employers paid $65.00 or less of contributions per week
- The $50.00 accrual rate applied to part-time employees.

If your employer agrees to the Preferred Schedule terms, the accrual rates for Benefit Service earned after July 1, 2009 will be changed as follows:

- The $115 accrual rate reduces to $60.00.
- The $74.00 accrual rate reduces to $38.61
- The $50.00 accrual rate reduces to $26.09.

Split calculation of pension benefit will be required… Anyone retiring with some of their Benefit Service earned prior to July 1, 2009 and some of their Benefit Service earned after July 1, 2009 will have their benefit calculation based on two accrual rates.

It is important to note that the amount of Normal Retirement Pension benefits earned through June 30, 2009 will not change because of the Rehabilitation Plan.

Your accrual rate will be much lower under the Default Schedule… If your employer does not agree to the terms of the Preferred Schedule, your benefit accrual rate will become subject to the Default Schedule.

The accrual rate for your Benefit Service earned after the Default Schedule effective date will be much lower.

The Default Schedule effective date will be the later of November 29, 2009 or the 181st day after expiration of the collective bargaining agreement that was in effect on July 1, 2008.

25-Year Service Pension and Rule-of-70 Pension have been replaced… Two types of service pensions were available in the Pension Plan until the start of the Rehabilitation Plan. They were the 25-Year Service Pension and the Rule-of-70 Pension.

Before the Rehabilitation Plan, you could be eligible for the 25-Year Service Pension when you have completed at least 25 years of Benefit Service. There was no minimum age requirement to receive this pension and the benefit was not reduced if you were younger than the normal retirement age. The benefit was calculated by multiplying your number of years of Benefit Service times the accrual rate.

The requirements were different for the Rule-of-70 Pension. Before the Rehabilitation Plan began, you could receive the Rule-of-70 Pension if the combination of your age and Benefit Service equaled 70.

The Pension Plan required a minimum of five years

(continued on page 3)

(Rehabilitation Plan – continued from page 2)

of Benefit Service to qualify for the Rule-of-70 Pension. For example, you would qualify at age 48 with 22 years of Benefit Service, or age 50 with 20 years of Benefit Service, or age 60 with 10 years of Benefit Service. The Rehabilitation Plan replaces these two types of pension with a pension known as the 58 and 30-Year Service Pension. You must be at least 58 years of age and you must have at least 30 years of Benefit Service to qualify for the new 58 and 30 Year Service Pension. The 58 and 30 Service Pension would be subject to a split calculation if some of your Benefit Service is earned after July 1, 2009 and the benefit amount is not reduced if you are younger than the normal retirement age.

No service pension under the Default Schedule…
If your employer does not agree to the terms of the Preferred Schedule, the new 58 and 30-Year Service Pension is eliminated from the Pension Plan.

Early retirement age requirement and the benefit calculation have been changed… The Rehabilitation Plan changes the requirements for an Early Retirement Pension. Previously, you had to be at least age 50 with at least 15 years of Benefit Service to qualify for an Early Retirement Pension. The Early Retirement Pension benefit amount was reduced by 3% for each year you were younger than the normal retirement age of 65.

Under the Rehabilitation Plan, you must be at least 55 years of age with at least 10 years of Benefit Service to be eligible for an Early Retirement Pension and the amount of your monthly benefit will be actuarially reduced to account for your benefit beginning before your normal retirement age.

For example, prior to the Rehabilitation Plan your benefit would have been reduced by 21% if you began an Early Retirement Pension at age 58. Under the Rehabilitation Plan, the Early Retirement Pension reduction at age 58 is 42%.

Vested Retirement Pension has been changed…
You become fully vested in the Pension Plan if you are still working in covered employment and reach your normal retirement age or if you have earned at least 5 vesting years in the Pension Plan.

You become eligible for a Vested Retirement Pension if you leave covered employment after becoming fully vested but before you have become eligible for any other form of pension.

You can start receiving your Vested Retirement Pension up to 10 years before your normal retirement date.

Before the Rehabilitation Plan was implemented, the Vested Retirement Pension amount would have been reduced by 3% for each year you were younger than your normal retirement age.

Under the Rehabilitation Plan the amount of your monthly benefit will be actuarially reduced to account for your benefit beginning before your normal retirement date.

For example, prior to the Rehabilitation Plan your benefit would have been reduced by 18% if you began a Vested Retirement Pension at age 59. Because of the changes to the Fund through the Rehabilitation Plan, the Vested Retirement Pension is reduced by 37% at age 59.

Default Schedule eliminates Disability Pension eligibility… The Pension Plan provides a Disability Pension for employees who meet the eligibility requirements. Under the terms of the Plan, you must:

- have 14 or more years of pension Benefit Service,
- become totally and permanently disabled while you are still working in covered employment (or within two years of having worked in covered employment), and
- be awarded a Social Security disability benefits award.

Anyone meeting all of these requirements will be entitled to a pension benefit that is not reduced for age.

If your employer does not agree to the terms of the Preferred Schedule, you will become subject to the terms of the Default Schedule. As of the Default Schedule effective date, this benefit is eliminated.

Survivor benefits are eliminated under Default Schedule… Before the Rehabilitation Plan was implemented, the Pension Plan provided some guarantees of benefit payments. If you were not married, or didn't choose the Joint and Survivor protection, your pension would be paid as a 60-month guarantee. If you started receiving a benefit and died before you had received 60 months of payments, your beneficiary would receive the remainder of the 60 months. If you become subject to the Default Schedule of the Rehabilitation Plan,

(continued on page 4)

(Rehabilitation Plan – continued from page 3)
and have not begun receiving your pension benefit payments, your pension will be paid as a single life annuity. Your monthly pension benefit will be paid to you for life but the payments will end when you die. There is no guarantee for payment to your survivor or beneficiary. Also, under the Default Schedule, you cannot elect the 60-Month Certain as an optional form of pension.

Long-term process… Under ERISA, the Fund generally will be considered to have emerged from critical status when the Fund actuary certifies that the Fund is not projected to have an accumulated funding deficiency for a current Plan Year or any of the next nine Plan Years. The actuary is required to use the projection methods that are specified in the pension law.

Generally, the Fund must emerge from critical status by the end of its 13-year rehabilitation period. The rehabilitation period will begin on July 1, 2011 and is scheduled to end on June 30, 2024. ■

SOME WELFARE FUND ELIGIBILITY RULES HAVE BEEN CHANGED AND SOME PREMIUM PAYMENTS ARE NOW REQUIRED For the first time in its 50-year history, it has become necessary for the Local 295/Local 851 Employer Group Welfare Fund to cut back on continuing eligibility and require premium payments from retirees to help cover the cost of their health plan coverage. These Welfare Fund changes went into effect on July 1, 2009.

Previously enough income… In the past, with the contributions for active-at-work employees, and the investment income, the Welfare Fund provided longer periods of continuing coverage for the unemployed participants and most of the 1,700 retirees and their dependents enjoyed no-cost health plan coverage including dental, vision care and prescription drug benefits. All of this was in spite of constantly skyrocketing health care costs which were increasing at the rate of 10 to 15% while the Consumer Price Index (CPI) was increasing at the rate of about 3% each year. In the 12-month period ending May, 2009 the urban CPI actually decreased by 1.3% but the cost of health care increased by 3.2% in that same time frame. The annual price tag for the Welfare Fund to provide retiree coverage has been exceeding the five million dollar mark.

Income and assets have been greatly reduced… The sagging economy has taken its toll on the Welfare Fund. The reserves are being rapidly depleted because of a tremendous drop in employer contributions. And, the return on investments has decreased as well. Thousands of workers have been laid off and the number of active-at-work employees covered by the Welfare Fund has decreased by two thirds. Previously, more than 3,000 employees were on the employment rolls and that number has dropped to slightly over 1,000. There is now only one active worker for each 1.7 retirees. The ratio of active workers to retirees was previously two active workers to one retiree. The worker/retiree ratio is changing with more and more of the displaced workers starting their retirement.

Many new applications for pension… The number of retirees on the rolls is increasing at the rate of about 3% each month. The Fund Office has been flooded with new applications for pension and most of the persons coming on to the retirement rolls are going to qualify for continuing retiree coverage.

Now, unfortunately, all of the eligible retirees and dependents will have to pay monthly premiums to keep their coverage in force.

Retiree premium payments are $200 and $300… The premium payment for eligible retirees and dependents who are eligible for Medicare is $200 per month for each person. The payment for retirees and dependents who are not eligible for Medicare is $300 per month for each person. The $200 and $300 payments are not the full cost of providing the retiree coverage. The retiree coverage cost is still being subsidized by the Welfare Fund.

Collecting premium payments… The Fund Office staff is working on an arrangement between the Welfare and the Pension Funds to deduct premium payments from the retirees' pension benefits. A deduction election form will be mailed out by the Fund Office. Others will have to pay their premium by check or money order every month.

Retirees and dependents may opt out of the coverage… Retirees and their eligible dependents may choose to not be covered by the plan of benefits offered by the Local 295/Local 851 Employer Group Welfare Fund.

Anyone who opts out of the coverage will be able to re-enroll in the Plan at some future date. In order to re-enroll, however, each person must provide the Welfare Fund Office with evidence that other
(continued on page 5)

(Welfare Fund – continued from page 4)
creditable coverage was in effect throughout the time of their absence.

Disabled child rule… The Welfare Fund provides continuing coverage to unmarried, dependent children who become permanently and totally disabled before the age of 19. A child will not qualify for this coverage if their mental or physical disability is due to alcoholism or drug dependency. The disabled son or daughter must be incapable of earning his or her own living. The disability must have occurred prior to the child's nineteenth birthday and the child must have been covered as an eligible dependent of an active employee immediately prior to his or her nineteenth birthday. An application must be filed, including proof of the disability and the Fund requires periodic proof that the disability is continuing.

Eligibility cutback… The period of continuing eligibility for active employees has been shortened by one month. Up until July 1, 2009, the coverage of active employees would remain in effect for one more month after a calendar quarter if the employee had less than 36 days of covered employment in that calendar quarter. With the change in eligibility, the coverage will only stay in force until the end of the calendar quarter. For example, if an employee does not have 36 or more days of covered employment during July, August and September, the coverage terminates on September 30th instead of October 31st.

No more Medicare Part B premium reimbursement… Previously, the Plan reimbursed retirees and eligible dependents for most of their cost of Medicare's Part B premium. As of July 1, 2009 no further Medicare Part B premium reimbursements will be paid. The Medical Benefits Account known as the 401(h) Account will be eliminated.

Temporary extension of coverage eliminated… The temporary extension of coverage provisions have been terminated effective as of July 1, 2009.
Previously, employees who met the eligibility requirement could temporarily have their coverage extended for a period of up to two years when they leave covered employment and their eligibility in the Plan is terminating. To qualify, employees must have been under the age of 65 with 15 or more years in covered employment.
Anyone who was already on a temporary extension of benefits as of July 1st may continue to qualify for the remainder of the period and some employees who have met the eligibility requirements for an extension of benefits may still qualify for the extension if their termination date was prior to July 1, 2009.

Persons on extensions must pay a premium… As of October 1, 2009 a monthly premium of $300 must be paid for each person who is covered by a temporary extension of benefits.

COBRA coverage still available… When an employee's coverage terminates for any reason (other than gross misconduct), coverage is available through a federal law known as the Consolidated Omnibus Budget Reconciliation Act (COBRA). The Welfare Fund Office notifies terminating employees of their right to apply for and purchase COBRA continuation coverage for themselves and their eligible dependents. Persons applying for COBRA coverage must pay a monthly premium and the period of coverage is limited to 18 or 36 months.

COBRA can be subsidized…Currently, there is a 65% COBRA premium subsidy available for employees who lose their jobs through no fault of their own. The loss of your job must occur between September 1, 2008 and December 31, 2009. The subsidy program is funded by the U. S. Government. If you apply for COBRA continuation coverage and if you qualify for the federal subsidy, you will only have to pay 35% of the COBRA premium rate. The Welfare Fund will apply to the federal government for your subsidy. The COBRA subsidy is not automatic. You must meet certain eligibility requirements. The complete COBRA regulations are in the Welfare Fund's Summary Plan Description and you can get more information about the current COBRA costs and the subsidy by contacting the Fund Office.

Contact the Fund Office… Please call the Fund Office at (212) 308 4200 if you have any questions about your Welfare or Pension Plan. The Fund Office is located in the financial district in New York City. The address is Sixty Broad Street, 37th Floor, New York, New York 10004.
The Fund Office hours are 8:30 A.M. to 5:30 P.M., Monday through Friday, except for holidays. ■

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IMPORTANT BENEFIT PLAN INFORMATION