International Painters and Allied Trades Industry Pension Fund

Finishing Contractors Association
March 25, 2022
IPF Management Trustees

Jerry Haber, W&W Glass
Clark Anderson, Swanson Youngdale
Joe Clabbers, National Glass and Metal Co., Inc
Keith Costanzo, Sharpe Interiors
Penny McDonald, Tri State Painting
Paul Morales, Borbon, Inc.
IPF Union Trustees

Union Trustees have had a complete turnover in recent years:

Jim Williams, GP
Gregg Smith, GST
Ron Kniess, EAGST
Dan Williams, COS

Ryan Anderson, BMST DC 30
Paul Canning, GVP
Mike Gutierrez GVP
Charlie Meadows, GVP
Labor and Management Collaboration

- Development of Strategic Plan and the Rehabilitation Plan was a cooperative and collaborative effort between Labor and Management which began early 2021 and included many virtual and in person meetings.

- Fund hired Segal Consulting as an advisory consultant solely for the Strategic Plan and the Rehabilitation Plan (Segal was later hired as the Fund's fulltime Consulting Actuary effective January 1, 2022).

- Fund also hired first Chief Legal Officer and new Fund Administrator and their involvement was critical in the collaborative effort.

- Issues specific to the Union were handled by a Subcommittee whose thoughts and ideas were discussed with Management Trustees throughout the process.

- Development of communication strategy and educational effort has been equally collaborative.

- Turnover on both sides of the table has created positive and collaborative environment on many issues.
For more than a year, the Board of Trustees has been developing a strategy to strengthen and modernize the Fund, making it successful and stable for the long term. After evaluating all the available options, and discussing them with District Council and Local Union leaders, the Trustees have adopted a plan of action. This strategic plan balances the needs of all active members and retirees, and it also simplifies and modernizes the Plan’s benefit design.

**Step 1** – New Accrual Rate Structure (Effective January 1, 2022)

**Step 2** – Elect to Enter the Red Zone Early in 2022

Overall, this strategic plan is designed to enable the Fund to meet its funding requirements under law and, over time, return to the Green Zone and become fully funded.
2022 Zone Status Certification

Projections and Commentary

2022 Zone Status

• Plan is in orange zone for 2022
• Trustees had option to elect to enter red zone early in 2022
• Early red zone option is available because Plan is projected to enter red zone in next 5 years (projected red zone in 2023)
• Margin between orange zone and red zone for 2022 is very small

Caveat

• Projection is for sole purpose of 2022 zone status certification
• For that reason, the projection exhibit extends only through 2028
• Rehabilitation Plan projections use different assumption and plan provisions
Benefits already in payment status
• No change to benefits if you are already receiving your pension

Normal Retirement benefits
• No changes to benefits you have already accrued
• No change in your ability to receive your benefit unreduced at age 65

Active Employee definition
• Remains at 450 Hours in last 3 plan years
• Used for eligibility for Early, Special Early, and Disability Retirement

Other benefits
• No reduction in Disability Retirement benefits
• No change in pre-retirement surviving spouse annuity
STEP 1
What has Already Changed

Variable Benefit Accrual Rate (VBAR) formula

- Effective January 1, 2022
- Replaces old “layered” accrual formula
- In 2022, accrual rate will be 0.85% of contributions (Introductory Rate of .65% for first 9000 hours)
- Beginning in 2023, accrual rates will vary based on Plan asset returns
- There will never be another zero accrual year

OLD RULES - Accrual Rate

- Accrual rate varies by contribution rate
- Zero accrual following negative asset return in second preceding plan year
- Average non-zero accrual rate is about 0.95% x contributions
## Variable Benefit Accrual Rate (VBAR)

### Accrual Rates as % of Contributions

<table>
<thead>
<tr>
<th>3-Year Average Asset Return</th>
<th>Default Schedule / Alternate 1</th>
<th>Alternate Schedule 2</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>First 9,000 Hours</td>
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- 450 Hours in a plan year required for a benefit accrual
- Lower accrual rate for first 9,000 Hours (prior Hours considered for this purpose)
- VBAR adjustments based on 3-year average return on Plan assets, market value basis
- Eliminate possibility of zero accrual year
Key Changes of Rehabilitation Plan

• Accrual Rate and VBAR
  • No more Zero Accrual year

• Eliminate the Bifurcated Pre-2018 and Post-2017 benefit structure. All benefits treated the same going forward
  • Early Retirement Benefit payable as early as age 55 with 6% reduction (used to be 3% except for post 2017 hours with 18,000
  • Special Early Retirement
    • Unreduced pension at age 58 with 60,000 hours (from 55)
    • Unreduced pension at age 62 with 45,000 hours (same as FIP2)
    • Removed 54,000 hour option
### Early Retirement and Special Early Retirement

#### Old Rules

<table>
<thead>
<tr>
<th>Benefit Hours</th>
<th>Pre-2018 Benefits</th>
<th>Post-2017 Benefits</th>
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<tbody>
<tr>
<td>45,000</td>
<td>3% per year</td>
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#### Special Early Retirement Ages

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<th>Pre-2018 Benefits</th>
<th>Post-2017 Benefits</th>
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<tbody>
<tr>
<td>60,000</td>
<td>Any Age</td>
<td>Age 55</td>
</tr>
<tr>
<td>54,000</td>
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#### New Rules

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Key Changes of Rehabilitation Plan (cont’d)

• **Additional Schedules.** Choice of additional more generous schedules in exchange for contribution rate increase. Information to be provided District Councils.

• **Eliminate certain restricted benefits that can’t be offered in Red Zone**
  - Level income option (SSLI), lump sump payments, 60 month guarantee (can be added back in at a cost)

• **Terminated Vested Participants (not an Active Employee) must wait until age 65 to retire**

• **Temporary Protections** included to protect those at or near eligibility for existing Early Retirement and Special Early Retirement.

• **Alternative Schedules require adoption in CBA by December 31, 2024**
Deferred Vested Early Retirement

A Participant who is not an Active Employee may receive a Deferred Vested Normal Retirement Benefit or Deferred Vested Early Retirement Benefit. An Active Employee is a Participant who has earned at least 450 Benefit Hours during the three (3) prior plan years. The Rehabilitation Plan does not change the definition of Active Employee. Under the Rehabilitation Plan, the Deferred Vested Early Retirement Benefit is eliminated. In other words, a Participant who is not an Active Employee cannot receive a benefit prior to attainment of age 65.

<table>
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<tr>
<th>Old Rule</th>
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<tbody>
<tr>
<td>Eligibility: The Deferred Vested Early Retirement Benefit may be payable at any time on or after attainment of age 55 and prior to attainment of age 65.</td>
</tr>
<tr>
<td>Amount: The amount of the Deferred Vested Early Retirement Benefit is equal to the Accrued Benefit with a reduction for early retirement. The benefit is reduced by 6% per year (0.5% per month) that retirement begins before age 65.</td>
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STEP 2
Rehabilitation Plan Schedules: Overview

Default Schedule
• Legally required
• Least generous benefits of all three Schedules
• No required contribution rate increases (beyond FIP2)

Alternate Schedule 1
• Greater Early Retirement benefits than Default Schedule
• Same accrual rates and Special Early Retirement as Default Schedule
• Contribution rate must be **110%** of 2022 base rate by January 1, 2025

Alternate Schedule 2
• Same Early Retirement benefits as Alternate Schedule 1
• More generous accrual rates and Special Early Retirement
• Contribution rate must be **120%** of 2022 base rate by January 1, 2025
• In addition, contribution rate must be **108%** of 2022 base rate to receive higher accrual rate (more detail later)
Default Schedule

Accrual Rate  Effective 2022
• Variable Benefit Accrual Rate (VBAR) based on 3-year average asset return
• No more possibility of zero accrual rate
• 450 Benefit Hours required to accrue a benefit in a plan year
• Lower accrual rate for first 9,000 Hours (prior Hours count toward total)

Early Retirement  Effective 2025
• Benefit payable as early as age 55 after completion of 18,000 Benefit Hours
• Benefit is reduced to the extent it begins earlier than age 65 (Normal Retirement)

Special Early Retirement  Effective 2025
• Benefit payable without reduction after completing Benefit Hours requirement

Variable Benefit Accrual Rate (VBAR)

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Early Retirement Reductions from Age 65

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## Alternate Schedule 1

### Accrual Rate  Effective 2022
- Variable Benefit Accrual Rate (VBAR) based on 3-year average asset return
- No more possibility of zero accrual rate
- 450 Benefit Hours required to accrue a benefit in a plan year
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Alternate Schedule 2

Accrual Rate  Effective 2022
- Variable Benefit Accrual Rate (VBAR) based on 3-year average asset return
- No more possibility of zero accrual rate
- 450 Benefit Hours required to accrue a benefit in a plan year
- Lower accrual rate for first 9,000 Hours (prior Hours count toward total)

Early Retirement  Effective 2025
- Benefit payable as early as age 55 after completion of 18,000 Benefit Hours
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Electing a Schedule

To Elect an Alternate Schedule:

1. Agreement must affirmatively elect either Alternate Schedule 1 or Alternate Schedule 2; and
2. Agreement must include required contribution rate by January 1, 2025

...otherwise, Default Schedule will apply.

Important points

- The “2022 base rate” is the greater of the contribution rate in effect on January 1, 2022 or the rate needed to be compliant with FIP2
- The Early Retirement and Special Early Retirement rules are the same under all Schedules until January 1, 2025

Required 2025 Contribution Rates

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Required by January 1, 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Default</td>
<td>None over FIP2</td>
</tr>
<tr>
<td>Alternate 1</td>
<td>110% x 2022 Base Rate</td>
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<tr>
<td>Alternate 2</td>
<td>120% x 2022 Base Rate</td>
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Required for Early and/or Special Early Retirement benefits after protections expire on January 1, 2025

Special Rule for Alternate Schedule 2

To receive the higher accrual rate under Alternate Schedule 2 before January 1, 2025, the contribution rate must be at least 108% of the 2022 base rate.
**Temporary Protections**
For Early Retirement and Special Early Retirement Rules

**Temporary Protections** through December 31, 2024

- Early Retirement and Special Early Retirement rules under **Alternate Schedule 2** will apply through December 31, 2024, regardless of Schedule

- Participants retain better rules if they meet total Hours requirement by December 31, 2024

- Beginning January 1, 2025, better Early Retirement and/or Special Early Retirement rules are available only to participants who are on an Alternate Schedule

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**What’s NOT Protected.** Under FIP2, the following rules applied to benefits earned prior to January 1, 2018. The Rehabilitation Plan will eliminate these rules effective April 1, 2022.

- Special Early Retirement prior to age 55 with 60,000 Hours
- Special Early Retirement at age 55 with 54,000 Hours
- Early Retirement reduced by 3% with 18,000 Hours

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Communications Timeline

Communications Strategy

- **GPAC Meeting**
  - Mid-October
  - Rehab Plan preview

- **Professionals Forum (FIF)**
  - December 12-13
  - Preview palm cards and overall messaging; solicit ideas for other communications

- **Actuarial Certification**
  - Completed January 14

- **Second Internal Training**
  - Week of January 17
  - BMSTs, Fund Office, IUPAT Staff; track progress by District Council

- **Special Trustees Meeting**
  - Scheduled for Friday, January 14
    - Elect early red zone (if needed)
    - Formally adopt Rehabilitation Plan

- **Town Hall #1**
  - December 20
  - VBAR whiteboard video, in-person introduction

- **Communication #1**
  - All stakeholders, mailed December 3
    - Describe new VBAR formula effective January 1, 2022
    - Satisfies ERISA 204(h) requirement

- **Town Hall #2**
  - Late January
  - Rehab Plan whiteboard video, in-person introduction

- **Communication #2**
  - All stakeholders; critical status notice is due February 11, 2022
    - Summary (SMM) and commentary on adopted Rehabilitation Plan
    - Include critical status notice, adopted Rehabilitation Plan
    - Bundle in annual funding notice

- **Communication #3**
  - March, FAQs, TBD
  - All stakeholders, mail in March, FAQs, TBD

- **Jul 2021**
- **Aug 2021**
- **Sep 2021**
- **Oct 2021**
- **Nov 2021**
- **Dec 2021**
- **Jan 2022**
- **Feb 2022**
- **Mar 2022**
Pension Fund Update

Changes to the Pension Fund Office

Terry Nelson, Fund Administrator
Adam Boston, Chief Legal Officer
James Bogart, Director of Operations
Laurie Hand, Director of Administration