

# UPPER PENINSULA PLUMBERS' & PIPEFITTERS' FRINGE BENEFIT FUNDS

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UP Plumbers' & Pipefitters' Health & Welfare Fund  
UP Plumbers' & Pipefitters' Pension Fund  
UP Plumbers' & Pipefitters' Defined Contribution Plan  
UP Plumbers' & Pipefitters' Educational Fund

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## Upper Peninsula Plumbers and Pipefitters Pension Fund Summary of Material Modification EIN: 38-6233970 Plan No: 001

TO: Plan Participants and Beneficiaries  
FROM: The Board of Trustees  
DATE: May 2009  
RE: Change in the Plan's Benefit Formula

In order to maintain the actuarial soundness of the Plan, the Board of Trustees has decided to amend the Plan. This amendment reduces the rate at which Plan participants will earn benefits under the Plan after July 31, 2009.

Section 204(h) of the Employee Retirement Income Security Act of 1974 and ERISA regulation Section 2520.104b-3 require the Board of Trustees to notify you of the change that will be made to the Pension Plan Document. This change was adopted by the Board of Trustees on July 1, 2009 and will become effective on August 1, 2009.

Please keep this Notice with your current Summary Plan Description for future reference. If you have questions after reading this Notice, please contact the Fund Office.

As described in a separate notice, the Plan is in critical status under the Pension Protection Act. While the trustees are considering options to preserve benefits, it is prudent to make the following allowable adjustments to benefits.

- For benefits earned prior to February 1, 2003, the retirement eligibility rule for an unreduced benefit is currently Index 85. If you are not eligible for Index 85 retirement (age plus service) on the effective date of August 1, 2009, then the reduction will be 6.7% per year for years younger than age 62 and for retirements on and after August 1, 2009 for any and all accrued benefits. If you are already eligible for the Index 85 benefit on August 1, 2009, you will remain eligible. Refer to the Impact of Index 85 Retirement Change paragraph of this letter for examples of the impact on benefits.
- For participants who become disabled on or after August 1, 2009, temporary benefits payable on account of total and permanent disability of \$275 until age 65 have been eliminated. You may still be eligible for a deferred pension benefit at age 55 with 10 years of service or age 62 with five years of service. Disability payments will continue to those already disabled on or before August 1, 2009. (*We may need to clarify if this is based on date of disability occurrence or date of application for disability benefits*)
- The minimum payout of a total of \$1,000 has been eliminated for retirements on or after August 1, 2009.
- The return of contributions preretirement death benefit has been eliminated for deaths occurring on or after August 1, 2009.

- For participants not yet receiving pension benefits, the preretirement death benefit percentage will change from 100% to 50%. A charge will be implemented for this coverage that entitles your surviving spouse to receive 50% of your joint and survivor benefit for the rest of his or her lifetime starting at what would have been your earliest retirement age. Such coverage may be maintained with a reduction in benefits for each month the coverage is in effect. Election forms and spousal waivers will be distributed to all participants.

The reduction in your monthly benefit will depend upon your age at which you elect coverage and the number of months you choose to be covered. Refer to the table below and the Impact of Pre-retirement Death Benefit Changes paragraph of this letter for an example on how this impacts benefits.

<b>Cost of Pre-retirement Death Benefit Coverage</b>	
Age Range	Percent Reduction in Accrued Benefit Per Month Covered Within Age Range
35-44	0.002%
45-49	0.004%
50-54	0.008%
55-59	0.017%
60-65	0.045%

### **Impact of Index 85 Retirement Change**

A significant change was made to the eligibility requirement for the Index 85 unreduced benefit for benefits earned prior to February 1, 2003. This change does not apply to any participant who has already retired or whose age (*in whole years*) plus service (*in whole years*) adds to at least 85 on or before August 1, 2009. The table below has been created to help you understand the differences. In the table we assume that your benefit earned before February 1, 2003 is \$1,000 per month based on the Plan's benefit formula and that it will be paid as a single life annuity. The table does not consider benefits since February 1, 2003 as they remain unchanged.

<b>Unreduced Index 85 Retirement and Early Retirement Reduction Factors on benefits earned prior to 2003</b>		
Your age when you start your pension	<b>Before August 1, 2009</b>	<b>After August 1, 2009</b>
	<b>Index 85 Eligibility</b>	<b>No Index 85 Eligibility</b>
	<b>Pre-2003 Benefits</b>	<b>Pre-2003 Benefits</b>
	Your pre-2003 monthly pension amount	Your pre-2003 monthly pension amount
55	\$ 1,000	\$ 533
56	\$ 1,000	\$ 600
57	\$ 1,000	\$ 667
58	\$ 1,000	\$ 733
59	\$ 1,000	\$ 800
60	\$ 1,000	\$ 867
61	\$ 1,000	\$ 933
62	\$ 1,000	\$ 1,000

### **Impact of Pre-retirement Death Benefit Changes**

Assume you just turned age 40 at the death benefit effective date of August 1, 2009. If you elect coverage from this point until you retire at age 65 with a \$1,000 monthly benefit, then your benefit is  $\$954.40 = \$1,000 * \{1 - [(60 * 0.00002) + (60 * 0.00004) + (60 * 0.00008) + (60 * 0.00017) + (60 * 0.00045)]\}$ . This covers the reduction which corresponds to coverage in the various age ranges noted in the first table on page 2, titled Cost of Pre-retirement Death Benefit Coverage.

### **No Change for Retired and Disabled Participants**

Participants whose retirement or disability payments under the Plan began prior to August 1, 2009 will not be affected by this plan change.

### **Retired and Disabled Participants Returning to Work**

Retired or disabled participants who return to work after August 1, 2009 will have any additional benefits earned during the period of reemployment determined under this new formula. Any questions regarding benefits to be earned during a period of reemployment should be directed to the Fund Office.

### **Why the Change was Made**

The Trustees have been advised by the Fund Actuary that the formula for determining Plan benefits needed to be changed again in order to protect the long-term future of the plan. While the Trustees would have liked to maintain the previous benefit formula into the future, it appears that doing so would not be prudent and could cause damage to the Plan in the future. Therefore, the Trustees made the difficult decision to change the benefit formula at this time.