

## **Explanation of Board of Trustees' decision to return to the previous rule regarding disqualifying employment for pensioners under Normal Retirement Age (65)**

The IAM NPF does not allow participants to collect their IAM NPF benefit during periods of “disqualifying employment.” Prior to 2015, “Disqualifying Employment” applied to individuals age 65 or younger and was defined as employment of any nature with a contributing employer or employment in the same industry (and trade or craft) with a non-contributing employer. In 2015, the Trustees amended the IAM NPF plan to relax this rule. Under 2015 plan change, IAM NPF participants were eligible to collect their IAM NPF pension while working in the same industry (trade or craft); provided their employment was not with an IAM NPF contributing employer. In August 2018, the Plan Trustees amended the IAM NPF Plan to return to the pre-2015 Disqualified Employment rule. As such, effective September 15, 2018, ‘Disqualifying Employment’ under the IAM NPF plan will include any employment with a contributing employer, as well as employment in the same industry (trade or craft) with any employer (contributing or not).

### **Effect of the Change**

First and foremost, while some working employees will no longer be able to receive their pension while they are working, the amount of pension benefit they will receive while retired from work in the same industry and trade or craft, is not reduced.

It is important to note that if you return to work in disqualifying employment for a contributing employer in a position that does require contributions to the National Pension Fund after you begin receiving pension benefits, you are no longer retired, and your benefits are suspended for the period of disqualifying employment. However, when you leave that employment and “*re-retire*” your pension will be recalculated to consider the additional service credit earned during that period of time.

If you return to work in disqualifying employment for a participating employer in a job that does not require contributions to the National Pension Fund, or for a non-participating employer in the same industry and trade or craft, you are no longer retired, and your benefits are suspended for the period of disqualifying employment. No recalculation is made at the time of your “*re-retirement*” because no additional service credit is earned in that disqualifying employment.

At the Fund Office, we realize this can be difficult to understand and it is impossible to address every possible situation. We do stand ready to answer your questions on this matter and/or to perform a Review of Employment, which will be discussed later in this document.

Taking into consideration that some pensioners were already collecting their benefit under the rule in place until September 15, 2018, the Trustees elected to “*grandfather*” those pensioners, while they continue with the same employer.

Please also note that, as before this change, you may always collect your pension after you turn 65 so long as any employment is limited to less than forty (40) hours per month.

Below are a few simple examples of how the Disqualifying employment rule works after September 15, 2018:

- John Doe worked for a contributing employer and retires at age 62, under the rule of “*62 and 20*”, collecting his pension benefit from the IAM National Pension Fund. A few months later, Mr. Doe

decides he wants to go back to work and is interested in taking a job working at a Costco, stocking shelves. He submits his Ruling on Employment Form to the Benefit Fund Office and is approved to work at Costco, stocking shelves, **without** having his benefit suspended. In this case, Mr. Doe's employment is not with a participating employer nor is it with a non-participating employer in his industry and he is retired as a machinist.

- Mary Smith earned a vested benefit from the IAM National Pension Fund in 2001 but has not been an active participant in the plan since. She is now working for a non-contributing employer as a machinist and would like to start collecting her pension benefit at age 60, using the early retirement reduction. She submits a Ruling on Employment Form to the Benefit Fund Office and is told that her work for the non-contributing employer in the same industry and trade or craft, as a machinist, is disqualifying employment under the Fund's rules and she would not be able to collect her IAM National Pension benefit while continuing to work that job. If Mary continues to work in disqualifying employment until age 65 (*Normal Retirement Age*), she would not have her benefit amount reduced for early retirement and therefore her monthly pension benefit would actually be higher at the later retirement date.
- Ricardo Cortez worked for a participating employer and earned the right to begin collecting his pension at age 55, under the "30 and out" rule. However, after he retires another participating employer offers him a job as a manager at their facility. Mr. Cortez submits a Ruling on Employment Form to the Benefit Fund Office and is told that this job would be disqualifying employment, as he would be returning to work for a participating employer, and his benefit would be suspended. This rule has consistently been in place and is not part of the new change. A pensioner, under age 65, cannot go back to work directly for a participating employer, in any job capacity or function. When Ricardo notifies the Fund Office that he is no longer working in disqualifying employment, he can begin to receive his pension benefits again and the amount of the monthly pension benefit remains unchanged.

### **Why the Change Was Made**

In late 2015, when the IAM National Pension Fund was still funded at over 100%, the Board of Trustees decided to make the disqualifying employment rules less restrictive, as described above.

When the 2015 rule change was put into place it led to a considerable number of deferred vested participants, who were otherwise eligible to collect a benefit prior to Normal Retirement Age and were working for employers that do not contribute to the National Pension Fund, to begin collecting their pension benefits.

While the value of the pension benefits remains unchanged regardless of the rule change, as previously explained, this did financially impact the Fund's cash flow, as the Fund had to begin making pension payments earlier than under the old rule.

In evaluating the IAM National Pension Fund in 2018, the Board of Trustees maintains a laser focus its financial health, which over the last few years has seen the funding percentage drop below 100%, as well

as a decline in the its *“credit balance”*, the latter of which has led to a statement by the Fund’s actuary that indicated the Plan is *“safe, but projected to be critical within the next five years”*. Even with that statement, the Fund remains strong and is projected over the long term, using reasonable assumptions, to remain well funded.

But it does matter to the Fund’s health *when* workers begin to take their pension. The Board determined that the disqualifying employment rule was creating unnecessary cash flow problems and was one controllable factor influencing the declining credit balance. As a result and considering every component that impacts the health of the Fund, the Trustees elected to protect the Fund by returning to the previous rule on disqualifying employment effective September 15, 2018.

In sum, when considering the impact of changes to the Fund, the Board’s primary focus always will remain on maintaining the core retirement benefit for all plan participants upon their retirement, and less on the small percentage of participants who desire to work in the same industry and trade or craft or for a contributing employer after retirement, collecting both a pension benefit and a paycheck.

### **What You Should do as a Result of this Change**

If you elect to collect your pension benefit before Normal Retirement Age and return to work, you should contact the Benefit Fund Office to request a Ruling on Employment (ROE) Form. Once you complete and return the Form to the Benefit Fund Office, a decision will be made on whether that employment would be disqualifying employment.

You can obtain the ROE Form on our website at [iamnpf.org](http://iamnpf.org) or call our toll-free number 1-800-424-9608, ext. 222. Our Customer Service Call Center is available from 9:00 a.m. to 7:00 p.m. Eastern Standard Time.