Michigan Laborers' Fringe Benefit Funds

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IMPORTANT NOTICE
Michigan Laborers' Pension Fund
Summary of Material Modifications

Dear Participants:

This is an IMPORTANT NOTICE about future changes in your Michigan Laborers' Pension Fund (Fund) benefits. All of these changes are effective JANUARY 1, 2012 and apply ONLY to your future pension benefits.

The changes affect:

- **I. The formula for earning future pension benefits;**
- **II. Index 80 Retirement benefit;**
- **III. Supplemental Temporary Benefits (STB);**
- **IV. Total and Permanent Disability Benefits (TPDB); and**
- **V. Calculations of Optional Benefit Payment Forms.**

This Notice explains the changes and why they're necessary.

THE CHANGES

I. EARNING PENSION BENEFITS

A. Current Benefit Formula:

Your pension benefit currently accrues at the rate of $7.31 per 100 hours of Covered Employment.

B. Change in Benefit Formula:

How does this change to $7.00 affect your pension calculation if you earned pension benefits both **before January 1, 2012** and also earn pension benefits **after January 1, 2012**? The answer is simple.

The pension benefits you accrued **before January 1, 2012** are calculated at the rate of $7.31 for each 100 hours of work at Covered Employment. Those benefits you accrue **after January 1, 2012** are calculated at the $7.00 rate.

Below is an example of how this formula change impacts your pension benefit when you perform Covered Work both ***before and after*** January 1, 2012. (Please note: all examples throughout this Notice are based on a single-life pension):

- **EXAMPLE — Participant with 5 Years of Service as of January 1, 2012**

  Let's say you've worked as a Laborer for the last 5 years (2006 –2011) at 1,000 hours per year.

  On December 31, 2011, your accrued monthly benefit will be **$365.50**. It's calculated as follows:

  (1,000 hours per year ÷ 100 hours = 10) × $7.31 = $73.10/month × 5 years = **$365.50** in monthly pension benefits.

Effective January 1, 2012, your future monthly benefit accruals are calculated at the new rate of $7.00 per 100 hours of Covered Employment.

So, if you work 20 more years ***after December 31, 2011***, your accrued benefit is calculated as follows:

(1,000 hours per year ÷ 100 hours = 10) × $7.00 = $70.00/month x 20 years (worked ***after*** December 31, 2011) = **$1,400.00**.

Your Total Accrued Benefit at retirement will be the sum of two amounts:

1. 5 years of Benefits Accrued ***as of December 31, 2011*** ($7.31 rate)	**$365.50** per month
2. 20 years of Benefits Accrued ***after December 31, 2011*** ($7.00 rate)	<u>**$1,400.00**</u> per month
Total Monthly Pension Benefit:	**$1,765.50 per month**

II. CHANGES TO "INDEX 80" RETIREMENT BENEFIT

A. Current "Index 80":

Currently, you can retire with an *unreduced* pension (before you're eligible for normal retirement benefits) if you meet the "Index 80" rule. That is, you can retire with full benefits if the total of your Years of Service and your age equal or exceed 79 ½.

B. "Index 80" Changes:

Effective January 1, 2012, the "Index 80" rules apply ***only*** to the pension benefit you earned as of December 31, 2011. Future benefit accruals – those you accrue ***after December 31, 2011*** – will be *reduced* for early retirement ***unless*** the sum of your Years of Service and your age equal or exceed 85.

How does this change affect your pension calculation if you earned pension benefits both ***before January 1, 2012*** and ***after January 1, 2012***? This too is simple.

If you're eligible to retire under the "Index 80" rules **after** January 1, 2012, your pension benefits will be calculated under two different early retirement rules:

1. "Index 80" Rule: will apply to Accrued Benefit earned ***as of*** **December 31, 2011.**
2. "Index 85" Rule: will apply to Accrued Benefit earned ***after*** **December 31, 2011.**

So, if you retire **after January 1, 2012** and you satisfy the "Index 80" Rule (that is, your years of service and age equal or exceed 79 ½ years) but you do not satisfy the "Index 85" Rule or the "30 Years and Out" Rule, your pension benefit will be calculated under two rules. The pension benefit you earned before January 1, 2012 will be *unreduced*. But, the pension benefit you earned after January 1, 2012 will be *reduced*.

If you retire **prior to January 1, 2012**, and you satisfy the "Index 80" Rule, your *entire* pension benefit will be *unreduced* (unless you select a Qualified and Joint Survivor Benefit).

III. CHANGES TO SUPPLEMENTAL TEMPORARY BENEFITS (STB)

A. Current STB:

STB are additional benefits for participants who collect normal or early retirement benefits *before* age 64. (Only Active Participants – those working immediately before retirement – are eligible for STB.) The amount of the monthly STB currently depends on when you retired and your Years of Service multiplied by an escalating benefit rate ($25, $30, $35) that increases as your Years of Service increase.

B. STB Changes:

Effective January 1, 2012, there are three changes to STB.

First, you must be at least sixty (60) years old to qualify for STB.

Secondly, the benefit rate is reduced. This *new* benefit rate is: $15, $20, and $25. (It replaces the old rate of $25, $30, $35) This new rate will be multiplied by your Years of Service.

Third, if you are *currently* collecting STB, your STB will be reduced by ten percent (10%).

1. Active Participants

Effective January 1, 2012, you must be at least sixty (60) years old to qualify for STB. That is, no one younger than sixty (60) years old can qualify for STB.

But, you cannot collect STB sooner than six (6) years before your Social Security Normal Retirement Age (SSNRA). So, age 60 *alone* does not automatically qualify you for STB.

And, STB ends no later than three (3) years before your SSNRA In any event, 36 monthly STB payments is the *maximum* number of payments available.

For purposes of determining your SSNRA, the following table applies:

Year of Birth	Social Security Normal Retirement Age
1943 – 1954	66 and 0 months
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67 and 0 months

- **EXAMPLE – Active Participant Aged 55 as of January 1, 2012**

  If you are age 55 (born on January 1, 1957), then your SSNRA is age 66 and 6 months, or July 1, 2023. As such, you're eligible for STB at age 60 and 6 months, or July 1, 2017 — 6 years prior to your SSNRA.

  The amount of your STB depends upon the Years of Service you accrued *prior* to April 1, 2010. We will multiply your Years of Service by the new benefit rates of $15, $20, and $25.

2. New STB Benefit Rate

Effective January 1, 2012, the new formula used to calculate a STB is as follows:

Years of Service	Monthly STB
5.0 – 14.9	$15 × Years of Service
15.0 – 24.9	$20 × Years of Service
25.0 – 30.0	$25 × Years of Service
	(Maximum STB of $750/month)

Only Years of Service accrued before April 1, 2010 are considered for purposes of this calculation.

3. Retirees Already Collecting STB

Effective January 1, 2012, STB are reduced ten percent (10%) for all participants who are currently collecting STB.

- **EXAMPLE — Retired Participant Aged 55 Currently Collecting STB**

  If you are age 55, retired and currently collecting STB, you'll continue receiving your STB until 3 years prior to your SSNRA. But, ***on January 1, 2012***, the amount of your monthly STB will be reduced by 10%.

  So, if you are currently collecting the maximum STB of $1,050 per month (30 Years of Service × $35 per month), you will begin collecting a STB of $945 ($1,050 minus 10%) per month beginning with your January 1, 2012 payment.

IV. CHANGES TO TOTAL AND PERMANENT DISABILITY BENEFITS (TPDB)

A. Current TPDB:

If you qualify for TPDB, your benefits continue until one of the following occurs:

1) you become eligible for Unreduced Early Retirement Benefits;
2) you're again employed or engaged in a regular occupation;
3) we determine that you're able to return to work as a Laborer; or
4) you refuse to provide the Fund required information related to your disability.

Currently, there is no automatic two (2) years limitation to your TPDB.

B. TPDB Changes:

Effective January 1, 2012, there are three changes to TPDB.

First, ***ALL*** Active Participants must be approved for Social Security Disability to collect TPDB for more than two (2) years. If you are disabled ***after January 1, 2012***, but have not been approved for Social Security Disability Benefits, you will receive the applicable monthly TPDB for a maximum period of 2 years (24 monthly payments) only.

Secondly, during the time prior to a Social Security Disability Award, your *maximum* TPDB benefit is $1,000 per month, regardless of your Years of Service. (Please Note: this $1,000 per month benefit is a cap. It does not entitle you to $1,000 per month unless you've earned that amount.)

For example, if your Years of Service might otherwise entitle you to $1,400 per month in TPDB, you will receive only $1,000 per month until you obtain a Social Security Disability Award. If you never obtain a Social Security Disability Award, your TPDB stops completely after two years or earlier if you do not meet the other TPDB eligibility requirements.

Third, if you're granted a Social Security Disability Award and your TPDB would be greater than $1,000 per month, the Fund will pay you TPDB retroactively, ***but for two years only***. That is, the Fund will pay the difference between the $1,000 per month you collected and the amount of TPDB you earned through your Years of Service. So, for example, imagine you had actually earned $1,400 per month in TPDB, but were collecting only $1,000 per month, because you had not yet received a Social Security Disability Award. Upon receipt of your Social Security Disability Award, the Fund will retroactively, for up to two years, pay you the difference between what you collected ($1,000) per month and the amount you earned ($1,400). If you receive your Social Security Disability Award after you have already collected the TPDB for the maximum period of 2 years (24 monthly payments), the Fund will still pay you TPDB retroactively for 2 years only. In such a case, the retroactive payments will cover the 2 year period immediately prior to the date of the letter granting your Social Security Disability Award.

Other than this $1,000 per month cap, there is ***no*** change in the formula for determining the amount for your TPDB (it's set forth in your Summary Plan Description [SPD]). All other eligibility requirements for TPDB remain unchanged, must be satisfied before a TPDB is paid, and apply during your receipt of TPDB.

V. CHANGES TO COMPUTATION OF OPTIONAL PAYMENT FORMS

A. Current Joint and Survivor Benefits:

If you are married at the time you retire, you may receive your pension benefit in one of the following Joint and Survivor payment forms:

- 50% Qualified Joint and Survivor Benefit with Pop-Up Feature;
- 75% Joint and Survivor Benefit with Pop-Up Feature; or
- 100% Joint and Survivor Benefit with Pop-Up Feature.

Your monthly pension benefit, under any one of these Joint and Survivor payment options, is determined by calculating your Straight-Life Benefit and reducing it by using *actuarial factors*. These actuarial factors consider your age and your spouse's age when your pension benefits are to begin.

B. Change in Joint and Survivor Benefits:

Effective January 1, 2012, the *actuarial factors* used to determine your pension benefits under any of the options (50%, 75%, 100% Qualified Joint and Survivor Benefits with Pop-up Feature) will change.

Generally, this change in actuarial factors results in a lower pension benefit payment under the Joint and Survivor Benefits ***after January 1, 2012.***

PLEASE NOTE, HOWEVER: Your retirement benefit under any of the Joint and Survivor payment forms will never be less than your Accrued Benefit as of December 31, 2011 multiplied by the actuarial factors used prior to January 1, 2012.

C. Life-Ten Years Certain Benefit

1. Current Life-Ten Years Certain Benefit

This benefit provides you with a reduced monthly benefit for life in exchange for the Fund guarantee that it will either pay you or your Beneficiary **combined** total payments for 120 months (ten years). The monthly payments made to your Beneficiary, if you die before the end of the ten-year period, will be unreduced — in the same amount as those monthly payments made to you during your lifetime. (If you live longer than ten (10) years, your monthly pension benefits will continue, but no benefits will be paid to your beneficiary at your death).

Your monthly pension benefit under this option is determined by calculating your normal monthly pension benefit under the Straight-Life form and reducing it by an actuarial factor based upon your age at the time your retirement benefits begin.

2. Change In Life-Ten Years Certain Benefit

Effective January 1, 2012, the *actuarial factors* used to determine your Life-Ten Years Certain Benefit will change.

Generally, this change in *actuarial factors* results in a higher pension benefit payment ***after January 1, 2012.***

- **EXAMPLE — You Elect the Life-Ten Years Certain Benefit**

  Assume you're unmarried and will retire at age 60. If your Accrued Benefit payable under the Straight-Life form is currently $1,000.00 per month. Then, under the current actuarial factors, your reduced Life-Ten Years Certain benefit amount would be $946.50 per month.

  But, ***effective January 1, 2012***, your benefit will be calculated under *new actuarial factors* and the reduced benefit amount will be $966.60 per month.

BACKGROUND – WHY THESE CHANGES ARE NECESSARY

These changes are necessary because of the performance of investment markets and the sluggish economy. These factors have significantly stressed all pension funds and have required, under federal law, benefit adjustments and/or contribution changes. So, these changes are necessary to meet our duty under Federal law.

Be assured, we've made these changes reluctantly and only after careful review and consultation with the Pension Fund's experts.

For more information about this notice, you may contact the Fund office at (517) 321-7502 or 6525 Centurion Drive, Lansing, MI 48917-9275.

Sincerely,

Board of Trustees of the
Michigan Laborers' Pension Fund

xc: Michigan Laborers' District Council
Local Unions
Employer Associations

Summary of Material Modifications, November 2011