

**LIUNA NATIONAL (INDUSTRIAL) PENSION FUND
&
Q & A FOR CITY OF NEWPORT BEACH EMPLOYEES**

LIUNA Questions from Key & Management

1) What age is retirement for LIUNA?

Normal Retirement Age under the LIUNA National (Industrial) Pension Fund (“LNIPF”) is age 62 for individuals who participated in the Fund prior to December 31, 2007. Individuals who first had contributions remitted after January 1, 2008 have a Normal Retirement age of 65.

Any vested participant may retire as early as age 55 under the Plan, but the monthly benefit payable is reduced actuarially for each month below normal retirement age that the individual retires and commences their pension benefit.

2) What age must I be to collect 100% of the LIUNA value?

You must be of Normal Retirement Age to collect your maximum benefit amount based on your reported salary under the percentage of pay that ties back to the benefit accrual schedule and the number of pension credits earned under the Plan Rules.

3) What is the vesting criteria?

Once a participant is vested then he or she has a right to receive a pension upon retirement that cannot be taken away even if the individual leaves covered employment. A participant is vested once the individual earns 60 vesting credits under the Plan without a permanent break in service (normally 5 years). Credits are applied monthly based the following chart:

<u>Hours of Contribution</u>	<u>Vesting Credits</u>
1-166	1 month
167-332	2 months
333-499	3 months
500-666	4 months
667-832	5 months
833-999	6 months
1000 or more	12 months

The following schedule relates to pension credits which are used to determine the participant's monthly retirement benefit:

<u>Hours of Contributions</u>	<u>Months of Future Pension Credits</u>
1-166	1 month
167-332	2 months
333-499	3 months
500-666	4 months
667-832	5 months
833-999	6 months
1,000-1,166	7 months
1,167-1,332	8 months
1,333-1,499	9 months
1,500-1,666	10 months
1,667-1,799	11 months
1,800 or more	12 months

4) How are benefits calculated? What is the formula to calculate?

The formula is:

Step 1: Annual salary x % rate ÷ 1,800 hours = hourly rate for the period:

Step 2: Hourly rate for the period = benefit level x number of months for period ÷ 360 = monthly benefit amount at normal retirement age.

The hourly rate for the period ties back to the appropriate Benefit Levels schedule in effect as of January 1, 1994 and/or January 1, 2008 and up to the adoption date of the Preferred Schedule under the Funding Rehabilitation Plan (FRP) which was January 1, 2013 for the City of Newport Beach. The salary earned in 2012 and the percentage rate of 1.5% in effect as of December 31, 2012 will determine the monthly benefit amount for the portion of pension credits earned after December 31, 2012. For new hires on or after January 1, 2013, year one salary will be used with a rate of 1.5% to determine all future credits earned. Fund Office contacts employer to get new hires annual salary to determine benefit accrual rate for that employee.

The 1,800 hours is used since under the Plan Rules a participant is granted 1 year of pension credit once the employer reports at least 1,800 hours within a calendar year. The 360 months is used since the maximum amount of years a participant can earn under the Plan Rules is 30 years.

5) Is there a tiered benefit calculation based on employment date? And if so, what is it?

All credits earned prior to January 1, 2008 are calculated under the January 1, 1994 Benefits Level schedule based on the highest contribution rate earned with at least 160 hours at the highest contribution rate. Then beginning with credits earned on or after January 1, 2008, each year is calculated at the contribution rate earned that year and ties back to the Benefit Levels schedule in effect as of January 1, 2008 until the adoption date of the Preferred Schedule (January 1, 2013) under the FRP.

Example: Participant earned 20 years 7 month of pension credits through December 31, 2018. Participant's 2007 salary was \$79,817.77. In 2008 the Participant earned a salary of \$79,222.39 and 1 year of pension credit. In 2009, 2010 and 2011 the Participant earned salaries of \$88,802.01 in each calendar year. In 2012 the Participant earned a salary of \$99,626.86. Calculations are as follows:

2007 – $\$79,817.77 \times 1.5\% = \$1,188.34 \div 1800 \text{ hours} = 0.66$. The 0.66 cent contribution rate under the January 1, 1994 Benefit Level schedule produces a benefit level of $834.24 \times 115 \text{ months} \div 360 = \underline{266.49}$.

2008 – $79,222.39 \times 1.5\% = \$1,188.34 \div 1800 \text{ hours} = 0.66$. The 0.66 cent contribution rate under the January 1, 2008 Benefit Level schedule under the Funding Improvement Plan produces a benefit level of $\$435.60 \times 12 \text{ months} \div 360 = \underline{14.52}$.

2009-2011 – $88,802.01 \times 1.5\% = \$1,332.03 \div 1800 \text{ hours} = 0.74$. The 0.74 cent contribution rate under the January 1, 2008 Benefit Level schedule under the Funding Improvement Plan produces a benefit level of $\$488.40 \times 36 \text{ months} \div 360 = \underline{48.84}$.

2012-2018 – $\$99,626.86 \times 1.5\% = \$1,494.40 \div 1800 \text{ hours} = 0.83$. The 0.83 cent contribution rate under the January 1, 2008 Benefit Level schedule produces a benefit level of $547.80 \times 84 \text{ months} \div 360 = \underline{127.82}$.

The total Normal Retirement Age amount is **457.67 (266.49 + 14.52 + 48.84 + 127.82)**.

6) What is the reduction per year if someone retires before the age (of collecting 100%)?

Under the Preferred Schedule, a participant hired before December 31, 2007, the early retirement reduction is 3% per year below age 62. A participant hired January 1, 2008 or later would be reduced 6% per year below age 65 for early retirement.

7) Are benefits capped based on a maximum salary? If so, what is the maximum salary used to calculate benefits?

The Pension Fund complies with Section 401(a)(17) of the Internal Revenue Code which limits the amount of annual compensation that can be taken into account in calculating benefits. For 2019, the indexed limit is \$280,000.

8) What is the maximum pension I can receive?

The maximum pension under the Plan Rules is \$2271 per month for life.

9) How can a person find out exactly how much they will receive?

The Fund annually sends a pension statement to each participant which contains an estimate of the single life annuity payable at normal retirement age. A participant can call the Fund Office and discuss their benefit and options with a pension specialist.

10) Can we get examples of scenarios of what the payout is upon retirement for 5, 10, 15 years in LIUNA?

Based on participant earning \$84k per annum, an estimated benefit at the various years of service is below. Please be reminded that this makes assumptions of full-time work going back up to 30 years from 2018. Every participant's actual benefit may be different based on their particular circumstances. See following examples:

5 years = 77.00 per month
10 years = 154.00 per month
20 years = 433.00 per month
30 years = 726.00 per month

11) Can I defer receiving my benefit until the ideal age to collect 100%, even if I retire from the City prior to that age?

Yes, but you must commence pension payments at age 65 if you are not working or can delay to age 70 ½ if still working. If delayed, the benefit will be calculated and paid back to age 65. By law all participants must start collecting at age 70 ½. Under this Plan it is by April 1st of the following calendar year in which the participant turns age 70 ½.

12) Are taxes withheld from LIUNA benefits when paid out, or is the retiree responsible for paying taxes? Do they receive a 1099?

The pension application process includes a W-4P for the participant to indicate what taxes they would like withheld from their monthly benefit. Also, 1099R's are mailed annually to all pensioners.

13) How is the benefit distributed upon retirement?

All pensioners are set up on direct deposit and deposits are made to the pensioners bank account on the 1st of each month.

14) What is the lag time between notification and collecting benefits?

The pension application process can take up to 90 days. We recommend participants contact us to start the paperwork at least 90 days prior to their intended retirement date.

15) Can individuals terminate their portion of the plan and receive the cash value?

No, the Plan rules do not allow for it. This Plan is a defined benefit plan and no participant has an individual account balance. When contributions are received from participating employers those contributions are immediately pooled together and invested together under the Plan as a whole so the Plan can payout the promised lifetime monthly retirement benefits to those participants who meet the vesting requirements.

16) How can we get a plan document or summary plan description and any amendments?

The Plan documents, Summary Plan Description, amendments, and other documents about the Pension Fund are available via written request or on our website at www.LNIPF.com.

17) How can we get a copy of the funding schedule?

The Annual Funding Notice is mailed to all participants at their home address on file with the Fund Office each spring. The Notices are also published on the website.

18) What is, or how can we see the fund's plan performance?

Preliminary plan investment performance as of December 31, 2018 is -4.51% for the one year, 7.16% for three years, 5.27% for five years, 8.35% for seven years and 8.61% for ten years.

19) Where can we go to get detailed information regarding our benefits specific to Newport Beach?

Annual benefit statements are mailed to each participant at their home address of record each March. The statement includes the contributions reported by their employer for the prior year, pension and vesting credits earned in each calendar year, and an estimate of the single life annuity payment earned at normal retirement age as of the date of the statement. Each individual employee can also login to the secure website at www.lnipf.com to view their information under the Plan, excluding the single life annuity amount at normal retirement age.

20) Is there a designated representative who City employees can talk to about their specific account?

All participants may call the Fund Office to discuss their pension benefit with a pension specialist. Our pension team handles accounts based on the participants last name. They can call toll free 800-544-7422, Monday through Friday, 8:30 AM to 4:15 PM EST.

<u>Last name</u>	<u>Specialist</u>	<u>Direct Dial</u>
A -D	Darlene McCalip-Thaxton	202-737-1278
E – K	Carmen Hacker	202-737-1599
L – Q	Karen King	202-737-2948
R- Z	Dana Foor	202-737-2947

21) Who is our point of contact with LIUNA? Is this the same contact for basic matters, such as updating a mailing address, to even more complex matters? Or are there different people to contact based on the category of question?

As addressed above, you can call your pension specialist for assistance. If they are unable to assist or if you wish to speak with a Manager, you may call the Pension Dept Manager Jennifer Dodohara or the Contributions Manager Paul MacKinnon at 800-544-7422.

22) Please explain the current contribution rate for K&M members. Are there any future projected / contemplated contribution rates?

The Funding Rehabilitation Plan Preferred Schedule Contribution Rates for the City of Newport Beach is:

<u>Effective Date</u>	<u>Rate</u>
1/1/2013	1.65%
1/1/2014	1.82%
1/1/2015	2%
1/1/2016	2.2%
1/1/2017	2.42%
1/1/2018	2.66%
1/1/2019	2.92%
1/1/2020	3.22%
1/1/2021	3.54% - Final ends 12/31/2021

There are no other future contribution rate increases after 12/31/2021 at this time.

23) Is there any sort of web-based portal K&M members can access for our membership?

Individual participants can access their information by logging into a secure website at www.lnlpf.com.

a. What about for confirming earned hours / membership is correct / accurate?

Participants are sent a pension credit history statement annually in the spring which shows the hours and contributions reported by your employer or participants can access this information at www.lnipf.com. If a participant sees an error, please contact the Fund Office.

b. What about for making calculations of projected retirement funds at different dates/ages?

This feature is not available at this time.

24) Are the LIUNA benefits subject to an offset of our retirement benefits, such as Social Security is to PERS benefits?

No. The participant receives the benefit earned under the Plan Rules.

25) Besides the annual report members receive each March, showing the hours earned with LIUNA, is there any other documentation or information we should expect to receive?

Annual Funding Notice is mailed each April to all participants

All notices are available on our website: www.LNIPF.com

26) Do members receive a confirmation or proof of vesting or informational material when they become eligible?

The information is contained on the annual pension benefit statement that is mailed to all participants each March. Vesting in the Plan is 60 vesting credits.

27) Several years ago, LIUNA changed the benefit allocation due to a fund "rehabilitation" plan. Is there a time frame when the rehabilitation will end? Is it a ten (10) year period? Once it does end, will we go back to the benefit calculation we had originally when we joined LIUNA?

The Fund is scheduled to emerge from the "Red Zone" by January 1, 2023. According to the Fund's actuary the Funding Rehabilitation Plan is ahead of schedule and could emerge out of the Funding Rehabilitation Plan sooner than January 1, 2023. The contribution rate and benefit accrual rate will remain at the final Preferred Schedule rate at the end of year 9 (3.54% for City of Newport Beach).

28) How does is the benefit computed given: *25 years of service, 100,000 annual compensation and normal retirement age of 62?

See formula and sample above under #4 and #5 about how to calculate.

29) With respect to IRS Section 415 limits for 2019, How is the benefit level capped for highly compensated employees, if at all. Are benefits accrued and distributed in any fashion beyond the cap?

The Pension Fund complies with Section 415 to the extent applicable. The Fund is a collectively bargained, multiemployer pension plan for purposes of the Internal Revenue Code and the Employee Retirement Income Security Act (ERISA). As such, the compensation limit of Section 415(b)(1)(B) does not apply. Only the annual dollar limit of Section 415(b)(1)(A) applies. That limit for 2019 benefits is \$225,000 for a pensioner at age 62. There is no participant in the Newport Beach group who comes near the Section 415(b)(1)(A) limit.

Note that pensions under the Pension Fund are not based entirely on compensation, but rather are based on the collectively bargained contribution level and the number of pension credits earned by a participant.

30) If benefits are capped at any level, is the Employer or employee contribution formula capped at any level too?

As noted in answer #29, the Section 415 limit is not meaningful in the context of Newport Beach's participation in this Pension Fund. Contributions to the Pension Fund are required for all covered employment by each employee covered by the collective bargaining agreement in order to properly fund all benefits. By the way, there are no "employee contributions" to the Fund; all contributions are collectively bargained employer contributions.

31) Are benefits coordinated or otherwise reduced relative to benefits received from another pension plan (e.g. CalPERS)?

No. The Pension Fund does not offset or reduce benefits earned by participants based on benefits they may have earned under another pension plan. The Pension Fund is not generally aware of benefits that a participant might be earning under another pension plan.

32) If I die before I retire, what would my beneficiary receive?

For married vested participants there will be a Widow's Pension payable for the lifetime of the surviving spouse. The widow is eligible to start receiving the Widow's Pension as early as the Participant turning age 55 or at the Participant's normal retirement age (either age 62 or age 65). The amount will be 50% of the monthly benefit amount that a participant would be eligible to receive as early as age 55 under an Early Retirement Benefit minus the reduction factor for the 50% Joint and Survivor Pension, or at normal retirement age minus the reduction for the 50% Joint and Survivor Pension.

For unmarried vested participants under the Preferred Schedule who pass away before retiring there will be a Death Benefit payable in the amount of \$5,000. The Plan Rules require that the Death Benefit is payable to any surviving children divided equally. If there are no surviving children, the amount will be payable to surviving parents divided equally. If there are no surviving parents, the amount will be payable to surviving siblings divided equally. If there are no such survivors, the amount will be paid to the deceased Participant's estate.

33) If I am retired and receiving pension benefits, would those benefits continue on to my beneficiary after my death?

If no survivor election is made at retirement, under the Preferred Schedule, a beneficiary is only eligible to receive the remaining payments under the 60 month-guarantee which means that if the retiree dies prior to receiving 60 monthly payments, the remaining payments up to the 60th payment will be paid to the beneficiary. The retiree will elect the beneficiary or beneficiaries at the time of their retirement.

A Participant can elect a survivor option at the time of their retirement. The following options are available to Participants covered under the Preferred Schedule:

120 Certain Payment Option – allows for at least 120 retirement benefit payments. If a retiree dies before receiving 120 retirement benefit payments, then the remaining benefit payments up to the 120th payment will be payable to the retiree's beneficiary. The beneficiary or beneficiaries are chosen at the time the Participant retires.

50%, 75%, 100% Regular Joint and Survivor Options – a married participant can elect a Joint and Survivor Option that will provide a lifetime benefit to the spouse of a retiree upon the death of the retiree. The percentage amounts of 50%, 75% or 100% are the amounts available for the spouse upon the death of the retiree. The retiree and spouse will make the election of the percentage at the time of retirement. The age difference between the participant and the spouse will determine the reduction for electing such an option.

50%, 75%, 100% Pop-up Joint and Survivor Options – a married participant can elect a Joint and Survivor Option that will provide a lifetime benefit to the spouse of a retiree upon the death of the retiree with added insurance that if the spouse pre-deceases the retiree, the retiree's monthly benefit will Pop-up to the Single Life Annuity amount. The Pop-up percentage amounts of 50%, 75% or 100% are the amounts available for the spouse upon the death of the retiree. The retiree and spouse will make the election of the percentage at the time of retirement. The age difference between the participant and the spouse will determine the reduction for electing such an option.

34) Who can be designated as a beneficiary?

As explained in question #32, if a Participant passes away before retirement the Plan Rules determine who will receive either a Widow Benefit if married at time of death or a Death Benefit of \$5,000 to specific surviving family members.

When a Participant retires and if they are not married at the time of their retirement they may elect whomever they want as their beneficiary or beneficiaries. When a married Participant retires, the spouse must sign off and agree that he/she is waiving all rights to the Regular Joint and Survivor Options and the Pop-up Joint and Survivor Options to allow the retiree to elect either the Single Life Annuity with 60 month-guarantee or the 120 Certain Payment Option. The retiree can elect whomever they want as their beneficiary to receive any final payments under the Single Life Annuity or the 120 Certain Payment Option as long as the spouse agrees to it.

35) How can I add a beneficiary to my account through the online portal?

This feature is not available for Participants through the online portal. If a retiree wants to change a beneficiary, and if eligible to do so, they must notify us in writing if they are not married.

36) Currently, the contributions are percentage based on gross salary. Can this be changed to base salary by one or all of the Newport groups?

No group can change from gross salary to base salary while the Plan is under the Funding Rehabilitation Plan. If in the future, Newport Beach does vote to change it, it will have to be the same for each unit. It is important to note that the Special Class groups rate cannot exceed the collective bargaining units' rate.

LABORERS' NATIONAL (INDUSTRIAL) PENSION FUND
905 16th Street, NW, 3rd Floor
Washington, DC 20006
Hours: Monday through Friday, 8:30 AM to 4:15 PM E.S.T.
Phone: 800-544-7422
Website: www.lnipf.com