



The Central Pension Fund of the International Union of Operating Engineers and Participating Employers

Presentation to Local 94

November 18, 2020

Can You Still Find a Lifetime Source of Retirement Income? Yes, If You Become an Operating Engineer and Join the Central Pension Fund



- The Central Pension Fund is the second largest multiemployer defined benefit pension plan in the United States
- The Central Pension Fund was established in September 1960
- Plan is administered by an 8 member Board of Trustees
- Four Trustees appointed by the General President and Four Employer Trustees appointed by Participating Employers
- Day to Day administration handled by a full time staff of 71

Defined-Benefit Plans Provide a Predictable, Secure Pension for Life

- In Taft-Hartley plans, generally only employer contributions are required. No participant contributions allowed.
- Your retirement benefit can be determined at any time during your career.
- Fund investments are managed by the Fund Trustees.
- Union Representatives and Employers negotiate the contribution level.
- Trustees set benefit levels as permitted by the contributions, investment returns and actuarial experience.
- Benefits are insured by the Pension Benefit Guaranty Corporation, (PBGC), a federal corporation headed by the secretaries of labor, treasury and commerce with the aim of protecting the pensions of private defined pensions plans.

Current Highlights

- Asset value: Over \$20.04 billion as of September 30, 2020
- Current recipients as of September 30, 2020: 77,412
- Local 094 Pensioners as of September 30, 2020: 3,320
- Total Monthly Benefits paid as of September 30, 2020: \$100,500,819
- Total Monthly Benefits paid to Local 094 Pensioners as of September 30, 2020: 6,519,811
- Average Benefit per month as of September 30, 2020: \$1,298
- Average Benefit per month for Local 94 Pensioners as of September 30, 2020: \$1,964

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- Benefits paid for the fiscal year ending January 31, 2020 are estimated at over \$1.136 Billion
 - Benefits paid for the fiscal year ending January 31, 2020 for Local 094 are over \$78 million.
 - Current vested and active participants total more than 130,000
 - As a percent of participants: H&P 61.2%; Stationary 38.8%
 - Average years of Credited Service : 9.7
 - Number of participating locals: 81

Average Participant Statistics – Local 094

- Average hourly contribution rate - \$4.12
- Average participant hours per year – 2,305
- Average participant contribution per year - \$9,500

Credited Future Service & Vesting Service

Credited Future Service (CFS) is all service with employer for which contributions are required.

- 1) amount of benefit earned is based on total contributions required to be made
- 2) participants can negotiate benefit increase by raising rate
- 3) 400 hrs. Per year minimum to get any CFS
- 4) 1000 hrs. = One yr. CFS

Vesting service

- 1) generally, all hours of service with a participating employer
- 2) includes CFS
- 3) vesting past service available
 - A. Can be based on prior continuous IUOE membership in good standing before IPD
 - B. Can be based on prior employment with initial contributing employer
 - C. Must first earn 1,000 hrs. CFS

Break In Service Rules

- Vested participants cannot incur a Break
- If not reported for at least 400 hrs. in a yr.= 1 yr. Break
- If number of consecutive 1 yr. Breaks > years of vesting service, (5 year min.), all prior service canceled or broken
- Can be repaired if earn 400 hrs. in year before Normal Retirement Age

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- If not repaired before Normal Retirement Age, Break is permanent
 - CPF has reciprocity agreements with all other IUOE Pension Funds to help participants avoid Breaks in Service
 - Reciprocity Service counts towards minimum service requirements for all forms of benefits (Special, Early, Disability)

Participant Eligibility and Benefits

- The Normal Retirement Age for participants in the Central Pension Fund is age 65 with 5 years of vesting service. This is the lowest vesting service requirement we can offer without negative impact to our funding status. In addition, a pension is a lifetime retirement income stream that is attained by giving the industry 5 years of service
- A Special Retirement provision can be selected at age 62 if the participant has 25 years of credited service, benefit amount unreduced. Again, this is the minimum service to age requirement that we can provide without reducing overall plan benefits.
- Early Retirement Age is 55 years or later with 10 years of vesting service; benefit reduced $\frac{1}{4}\%$ per month or 3% per year
- Disability benefits are payable at any age with 15 years of vesting service. If disability onset after August 1, 2005, benefit amount is Early Retirement benefit.

Benefits Payable Upon Death

- A pre-retirement death benefit, equal to 50% of the participant's accrued benefit is immediately payable for life to the qualified surviving spouse of a vested participant.
- To be considered qualified spouse, must have been married to participant for at least one year
- Return of contributions Death Benefit payable to beneficiaries of vested participants and participants who die within 24 months of last month reported.
- Post-retirement surviving spouse benefits may be selected at 50%, 66 ²/₃%, 75% or 100% of the participant's benefit with a pop-up feature.

Pop-Up Feature

- This benefit provides that if you retire on or after January 1, 1990, and your spouse should die after you have begun receiving a Qualified Joint and Survivor Annuity (QJSA), your monthly benefit will be increased to the amount you would have been entitled to receive under the Single Life Annuity.
- This Pop-up feature applies only in the event your spouse at retirement dies. It does not apply in any other circumstance.

Qualified Joint & Survivor Annuity (QJSA)

The following examples are based on a participant and his/her spouse, who are both age 65 at retirement.

- The discount from single life annuity benefit is 9.9% for a surviving spouse's benefit equal to 50% of the participant's benefit
- Example – assume the participant's accrued benefit is \$2,000.00 per month and payment to be made in the form of 50% J&S: participant will receive \$1,802.00 during his lifetime and surviving spouse receives \$901.00 for life after participant is deceased
- The discount from the single life benefit is 12.7% for a 66^{2/3}% J&S benefit
- The discount from the single life benefit is 14.1% for a 75% J&S benefit
- The discount from the single life benefit is 17.9% for a 100% J&S benefit

Benefit Accrual Rate

- Current accrual factor is 1.75% of total employer contributions effective April 1, 2020.
- Plan design basically provides that the more you have your employer contribute, the greater your monthly retirement benefit
- Benefit formula allows a participant to roughly estimate the amount of their normal retirement benefit at any point in time
- Allows participants to negotiate their own benefit increase by negotiating for higher employer contribution rate
- All contributions are made by employers before taxes and are not included in your taxable income for the year in which contributions are made. Employee contributions are not required or permitted

Sample Benefit Estimates at Different Rates of Contribution and Current Accrual Factor

- Assume participant reported for 2,080 hours of service at the rate of \$4.00 per hour over 10 years
- After 10 years Participant's accrued normal retirement benefit would be \$1,456 per month for life or \$17,472 per year
- $(2,080 \times \$4.00 \times 10 = \$83,200$ total employer contributions) At the plan's current 1.75% accrual factor, $.0175 \times \$83,200 = \$1,456$
- Under same assumptions but over 15 years, normal retirement benefit would equal \$2,184 per month and at 20 years, monthly benefit would be \$2,912.
- If assumed contribution rate increased to \$6.00 per hour, estimated monthly benefit after 10, 15 and 20 years increases to \$2,184, \$3,276 and \$4,368, respectively

Planning For Your Retirement

Applying for Benefits with CPF

- Start application process about 90-120 days before planned retirement date. Also, members can request an estimate of benefits at anytime.
- Application forms can be obtained through our CPF website, your Local Union Office or by contacting our office.
- Documentation needed to support application can be found at Section 10 of “Guide to Your Benefits”.
- CPF does not accept rollover distributions from other qualified plans in which you may have also been a participant, but does have Money Follows the Man reciprocity with certain other IUOE Pension Funds.

Return to Work Rules

- **Prior to age 70 ½** - After you have completely ceased working for at least one month and actually retired, you can return to work in a job classification which you previously worked while earning your retirement benefit and continue to receive your monthly benefit, **provided** you do not work more than 40 hours in a calendar month. You do not have a right to a monthly benefit for the month(s) in which you work more than 40 hours in disqualifying employment.
- **After age 70 ½** - After you have completely ceased working for at least one month and actually retired there are no restrictions on post retirement employment once you reach age 70 ½.

Questions and Answers

- Semi Annual Participant Statements. Twice each year all active participants, as well as inactive participants with a Vested Interest, receive Statements showing the hours and contributions received on their behalf in the past six months. The Statements are prepared for the six-month periods of January 1 through June 30, and July 1 through December 31. The Statements are normally sent from the Fund Office to your current address on file in September for the period ending June 30, and in March for the period ending December 31.
- The figures provided on the Semi-Annual Statements are based on a Single Life Annuity Amount at Normal Retirement Age (65, or age 62 with 25 years of credited service). The calculation is based on contributions through the period ending date on the Semi-Annual Participant Statement and this year includes 50% Joint and Survivor figures for married Participants. Estimates with an earlier retirement date and all Joint and Survivor figures can be requested in writing at any time.