



# **IUOE Local 94 Retirement Seminar**

**May 2025**

# Retirement Security

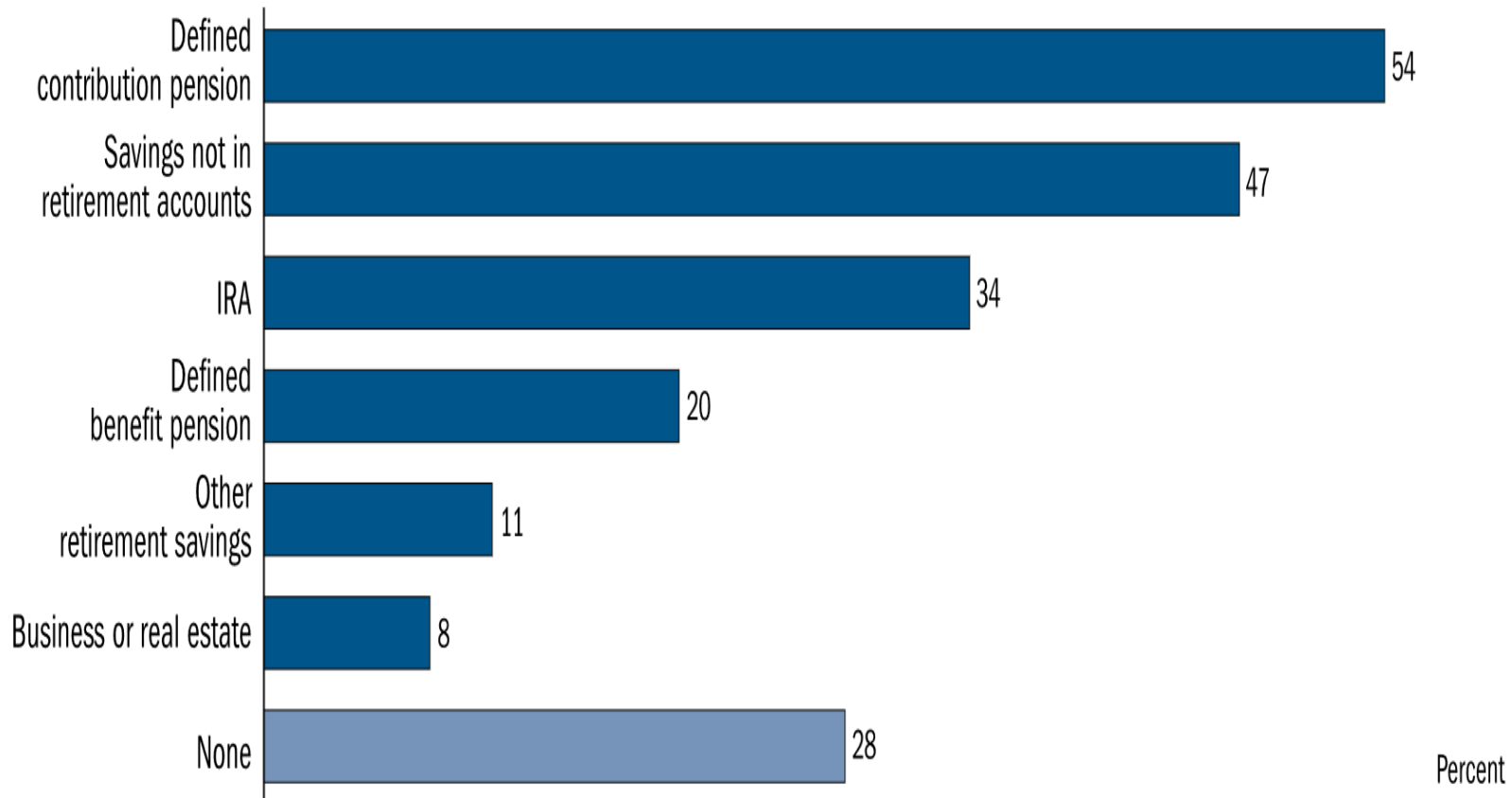
## How Sturdy is Your 3-Legged Stool?

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- The “three-legged” stool of retirement savings: (1) Social Security; (2) Defined Benefit Pension Plan; (3) Personal Savings/Defined Contribution Plan;
- National Institute on Retirement Security (“NIRS”) reports that only 14% of Gen Xers (born between 1965-1980) have access to a Defined Benefit Pension Plan;
- Between 1975 and 2019, the number of Defined Benefit Plan participants fell from 27 million to 13 million and most of those participants are in the public sector (e.g. state and local govt. retirement plans).
- NIRS also reports that the typical household has only \$40,000 in retirement savings in private accounts.
- According to NIRS, when asked if the U.S. faces a retirement crisis, 79% of Americans agree there indeed is a retirement crisis, up from 67% in 2020.
- In Feb. 2024, NIRS reported that more than half of Americans (55%) are concerned that they cannot achieve financial security in retirement.

## RETIREMENT SECURITY

### HOW STURDY IS YOUR 3-LEGGED STOOL?



# RETIREMENT SECURITY

## HOW STURDY IS YOUR 3-LEGGED STOOL?

Characteristic	Any retirement savings	Retirement savings on track
<i>Age</i>		
18–29	57	24
30–44	72	32
45–59	81	34
60+	88	41
<i>Race/ethnicity</i>		
White	80	37
Black	60	22
Hispanic	56	20
Asian	84	38
<i>Disability status</i>		
No disability	76	34
Disability	47	13
Overall	72	31

Note: Among non-retirees.

## LONGEVITY RISK

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### **Life expectancy is a critical concern when planning for retirement:**

- 65 year-old men have a 50% chance of living beyond age 85 and a 25% chance of living beyond age 92;
- 65 year-old women have a 50% chance of living beyond age 88 and a 25% chance of living beyond age 94;
- 65 year-old couples have a 50% chance that one spouse will live beyond age 92 and a 25% chance that one will live beyond age 97.

# **Your Pension, Your Future**

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**Can you still find a lifetime  
source of income?**

**YES!**

**The Central Pension Fund provides  
a secure, monthly income for life,  
which makes financial security in  
retirement much more achievable.**



## Central Pension Fund Facts

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- ❖ Established in 1960, the Central Pension Fund is now one of the largest and most well funded multiemployer defined benefit pension plans in the United States;
- ❖ The Central Pension Fund is administered by a joint Board of Trustees (Employee Trustees appointed by the IUOE, and Employer Trustees appointed by Participating Employers);
- ❖ The Central Pension Fund has over 87,000 active Participants and 81,546 retired Participants and Beneficiaries who receive monthly lifetime annuity benefits;
- ❖ Over 6,000 Employers located throughout the United States participate in the Central Pension Fund.

## Central Pension Fund Facts (Cont.)

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- ❖ Net Asset Value of the Central Pension Fund is over \$25 billion (current market value);
- ❖ Fund Assets are broadly diversified (e.g., equities, bonds, real estate, infrastructure, etc.) and all assets are managed by outside Investment Managers;
- ❖ Annual Employer Contributions exceed \$1 billion;
- ❖ Annual Benefit payments exceed \$1 billion;
- ❖ The Central Pension Fund is in the “Green Zone” under ERISA’s pension funding rules; for the Plan Year ending 1/31/2024, CPF’s Funded Percentage is **107.7%**;
- ❖ No Withdrawal Liability (i.e. no unfunded vested benefits).



# Local 94 Highlights

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- ❖ Local 94 Member retirements in 2022, 2023, and 2024, were 255, 217, and 198, respectively;
- ❖ Average monthly retirement benefit of all Local 94 retirees: \$2,421.72 (Plan-Wide Avg. \$1,807.25);
- ❖ Average monthly retirement benefit of Local 94 members who retired in 2024: \$2,755.94.



# The “Benefit” of a Defined Benefit Pension Plan

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- Secure, predictable, lifetime income: CPF retirees receive a fixed monthly lifetime annuity benefit, providing financial security and protection against longevity risk.
- Portability: While some CPF Participants work for the same employer over their entire working lives, it's not uncommon for an operating engineer to work with multiple participating employers over the course of their working lives. So long as those other employers participate in CPF, your accrued benefit continues to grow.
- Investment Risk is on the Plan not the Participant: Participants do not have individual accounts subject to investment gains and losses; the Fund bears the investment risk and is responsible for ensuring the Fund's long-term solvency.
- PBGC Insurance: The federal Pension Benefit Guaranty Corporation (“PBGC”) insures defined benefit pension plans, such as the Central Pension Fund.

## How to “Vest” in a Defined Benefit: Credited Future Service & Vesting Service

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- Generally, you are eligible to commence receiving a Normal Retirement Benefit (age 65) if you have at least 1,000 hours of Credited Future Service (ER Contributions remitted on your behalf) and 5 Years of Vesting Service.
- **Credited Future Service** is all service with any employer for which contributions are required and is used to determine both Vesting service and the amount of your retirement benefit.
- **Vesting Service** is generally all hours of service with a participating employer. Note potential eligibility for recognition of service in non-covered position.

## Benefit Accrual Rate

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- Current accrual factor is 1.75% of total employer contributions
- Benefit formula allows for easy calculation
- Example: Participant reported for 2,080 hours of service at the rate of \$7.50 per hour
  - 10 Years: Benefit would be \$2,730 per month for life ( $2,080 \times \$7.50 \times 10 = \$156,000$  total contributions;  $\$156,000 \times .0175 = \$2,730.00$ )
  - 15 Years: \$4,095 per month for life
  - 20 years: \$5,460 per month for life
- April 2025 “Snapshot” accrual increase for hours worked from 2/1/23 through 1/1/25. For that period, accrual rate is 2.00%.

# Summary of Basic Benefit Rights & Features

- **Normal Retirement Benefit:** Age 65 with 5 years of Vesting Service
- **Special Retirement Benefit:** Age 62 with 25 years of **Credited Service**; Unreduced benefit at earlier retirement date
- **Early Retirement Benefit:** 55 years or later with 10 years of vesting service; benefit reduced ¼ % per month or 3% per year

- Benefit at Normal Retirement Age (65): **\$1,000**

Age	Reduction	Benefit
62	\$90.00	\$910.00
60	\$150.00	\$850.00
58	\$210.00	\$790.00
55	\$300.00	\$700.00

- **Total & Permanent Disability Benefit:** payable at any age prior to age 55 with 15 years of Total Vesting Service, and the monthly benefit amount is same as the Early Retirement benefit payable at age 55

## Benefits Payable Upon Death

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**Three types of Death Benefits are potentially payable upon death:**

- ***Qualified Pre-retirement Survivor Annuity***, equal to 50% of the participant's accrued normal retirement benefit is immediately payable for life to the qualified surviving spouse (married for at least one year) of a vested participant;
- ***Return of Contributions Death Benefit***: payable to beneficiaries of non-vested participants, or vested participant not survived by qualified spouse. Note: If not vested, participant must have had contributions paid on their behalf within 24 months of the date of death;
- ***Qualified Joint and Survivor Annuity*** (50%; 66 2/3%; 75%; 100%)/Contingent Annuity Benefit (same percentages and available to non-married Participants).

# Benefits Payable Upon Death

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If you die after you commence benefits:

- **Single Life Annuity:** Any portion of your benefit earned *prior* to August 1, 2005 is subject to a 60-payment guarantee feature. Any benefits earned after August 1, 2005 would be paid only for your lifetime.
- **Joint and Survivor Annuity:** Surviving spouse benefits may be selected at 50%, 66 2/3%, 75%, or 100% of the participant's benefit.
- **Example (based on a Participant and Spouse at age 65):** Participant's accrued benefit is \$2,000.00 per month and payment is 50% J&S: Participant would receive \$1,802.00 for life and Surviving Spouse would receive \$901.00 for life after Participant is deceased.
  - The discount from the Single Life Annuity is 9.9% for 50% J&S
  - The discount from the Single Life Annuity is 12.7% for 66 2/3% J&S
  - The discount from the Single Life Annuity is 14.1% for 75% J&S
  - The discount from the Single Life Annuity is 17.9% for 100% J&S

NOTE: a larger age differential would result in a higher discount percentage.

# Planning For Your Retirement

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## Applying for Benefits with CPF

- ❖ Whenever possible, start application process at least 90-120 days before planned retirement date. Also, members can request an estimate of benefits at anytime;
- ❖ Application forms can be obtained on the CPF website ([www.cpfuoe.org](http://www.cpfuoe.org)), your Local Union Office, or by contacting our office. Forms online are fillable PDF files;
- ❖ See Section 1 of Application for documentation requirements (Proof of Age, Proof of Marriage/Divorce, Work History);
- ❖ To be eligible to retire, Participants who are under age 70 ½, must have a bona fide separation from employment and may not engage in any disqualifying employment in the month in which the Participant retires.



## Qualified Joint and Survivor Annuity Example

### NORMAL FORM

#### **50% Qualified Joint and Survivor Annuity**

Participant	3,868.56	per month
Surviving Spouse	1,934.28	(after Participant's Death)

### OPTIONAL JOINT AND SURVIVOR ANNUITY FORMS

#### **66 2/3% Joint and Survivor Annuity**

Participant	3,723.98	per month
Surviving Spouse	2,482.78	(after Participant's Death)

#### **75% Joint and Survivor Annuity**

Participant	3,653.88	per month
Surviving Spouse	2,740.41	(after Participant's Death)

#### **100% Joint and Survivor Annuity**

Participant	3,461.11	per month
Surviving Spouse	3,461.11	(after Participant's Death)

### **SINGLE LIFE ANNUITY\***

Participant	4,381.15	per month
Beneficiary		Remainder of sixty (60) payments, if any**

## J&S Pop-Up Feature

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- ❖ 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.

# Return to Work Rules

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- ❖ **Before 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 - No restrictions on post retirement employment once you reach age 70 ½ (Plan Amended in February 2022). In addition, effective March 2022, Participants who are over age 70 ½ may commence receiving their retirement benefits without having to separate from service (i.e., in-service distributions are permitted for Participants who are 70 ½ and older).**

## Questions

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