

# **NORTH CENTRAL STATES REGIONAL COUNCIL OF CARPENTERS' PENSION FUND**

## **◆◆ BENEFIT IMPROVEMENTS ◆◆**

May 2025

To Participants/Beneficiaries:

The Board of Trustees ("Trustees") of the North Central States Regional Council of Carpenters' Pension Fund ("Plan") is pleased to announce two benefit improvements, which are summarized below.

### **Background: Legacy Benefits and the LIB**

You were previously advised that the Plan modified its benefit formula effective January 1, 2022. Prior to January 1, 2022, participants earned a Legacy Benefit at Normal Retirement Age based on the contributions required to be paid to the Plan on their behalf times a multiplier equal to 0.635% (or 0.615% for certain groups) beginning June 1, 2014. Effective January 1, 2022, participants began earning a lifetime income benefit ("LIB") that is adjusted annually to reflect the Plan's investment experience. The LIB's Normal Retirement Benefit is based on the benefit-bearing contributions required to be paid to the Plan on a participant's behalf times a 1.55% multiplier. Because the Legacy Benefits were not fully funded, contributions paid to the Plan after 2021 were split between funding Legacy Benefits and funding the LIB. The following allocations (which are applied towards the Plan's January 1, 2021 contribution rates) applied:

- All bargaining areas (except Shop and South Dakota contracts): 87% Legacy Benefit and 13% LIB;
- Shop contracts: 59% Legacy Benefit and 41% LIB; and
- South Dakota contracts: 67% Legacy Benefit and 33% LIB.

### **Legacy Benefit Accrual Multiplier Increase**

The Trustees took action, effective January 1, 2025, to increase the 0.635% (or 0.615% for certain groups) Legacy Benefit accrual multiplier for benefits earned from June 1, 2014 through December 31, 2021 for eligible participants as follows:

- 1% for Active Participants as of January 1, 2025;
- 1% for participants who reinstate their status as an Active Participant after January 1, 2025; and
- 1% for retirees receiving benefit payments from the Plan as of January 1, 2025 in a single life annuity form of payment over their lifetime (subject to an actuarial age adjustment) and their beneficiaries.

This benefit increase may be adjusted further for those receiving benefit payments from the Plan as of January 1, 2025, depending on the retiree's age and/or the form of benefit elected:

- For retirees who have not reached Normal Retirement Age as of January 1, 2025, the benefit increase is adjusted for the early retirement factor based on the retiree's age (rounded) on January 1, 2025.
- For retirees receiving benefit payments in the 66-2/3% Joint and Survivor Benefit form or 75% Qualified Optional Survivor Annuity form of payment, the benefit increase is multiplied by 83% to estimate the conversion to this form of benefit adjustment.
- For beneficiaries of retirees that elected either the 66-2/3% Joint and Survivor Benefit form or 75% Qualified Optional Survivor Annuity form of payment, the increase is multiplied by both the 83% conversion factor mentioned in the previous point and the applicable survivor percentage.

**Example 1:** John retired on April 1, 2021 at Normal Retirement Age (age 62) and elected to receive his benefit over his lifetime (five-year certain annuity). His monthly benefit earned before June 1, 2014 is \$500.00, and \$100,000.00 of benefit-bearing employer contributions were paid to the Plan on his behalf from June 1, 2014 to March 31, 2021.

Before the Legacy Benefit accrual multiplier increase on January 1, 2025, John's monthly benefit earned from June 1, 2014 to March 31, 2021 was calculated as follows:

$$\$100,000.00 \times 0.635\% = \$635.00$$

With the \$500 benefit earned prior to June 1, 2014, John's total monthly benefit was \$1,135.00 (\$500.00 + \$635.00).

Following the Legacy Benefit accrual multiplier increase on January 1, 2025, John's increase in monthly benefit earned from June 1, 2014 to March 31, 2021 is calculated as follows:

$$\$100,000.00 \times (1.00\% - 0.635\%) = \$365.00$$

With the benefit earned prior to June 1, 2014, John's total monthly benefit is \$1,500.00 (\$1,135.00 + \$365.00).

**Example 2:** Mary retired on September 1, 2022 at Early Retirement Age (age 58) and elected to receive her benefit over her lifetime (five-year certain annuity). Her monthly benefit earned before June 1, 2014 is \$450.00 adjusted for her early retirement, and \$100,000.00 of benefit-bearing employer contributions were paid to the Plan on her behalf from June 1, 2014 to December 31, 2021 (this value excludes any contributions credited under the LIB benefit for increases in the contribution rate after January 1,

2021). Mary also earned a LIB benefit of \$50.00 adjusted for her early retirement and LIB annual adjustments through January 1, 2025.

Before the Legacy Benefit accrual multiplier increase on January 1, 2025, Mary's monthly benefit earned from June 1, 2014 to December 31, 2021 was calculated as follows:

$\$100,000.00 \times 0.635\% \times 90\% = \$571.50$  (where 90% is the early retirement reduction based on her age at retirement)

With the \$450.00 benefit earned prior to June 1, 2014, and the \$50.00 LIB benefit, Mary's total monthly benefit was \$1,071.50 (\$450.00 + \$571.50 + \$50.00).

Following the Legacy Benefit accrual multiplier increase on January 1, 2025, Mary's increase in monthly benefit earned from June 1, 2014 to December 31, 2021 is calculated as follows:

$\$100,000.00 \times (1.00\% - 0.635\%) \times 95\% = \$346.75$  (where 95% is the early retirement reduction based on Mary's rounded age of 60 at January 1, 2025)

Assuming no further changes to the LIB benefit, Mary's total monthly benefit is \$1,418.25 (\$1,071.50 + \$346.75).

**Example 3:** Joe retired on July 1, 2020 at Normal Retirement Age (age 62) and elected to receive his benefit as a 75% Qualified Optional Survivor Annuity. He died in March 2024 and his wife Nancy is now receiving a 75% survivor benefit. Joe's initial monthly benefit earned before June 1, 2014 was \$400.00 adjusted for the form of benefit he elected, and \$100,000.00 of benefit-bearing employer contributions were paid to the Plan on his behalf from June 1, 2014 to June 30, 2020.

Before the Legacy Benefit accrual multiplier increase on January 1, 2025, Joe's monthly benefit earned from June 1, 2014 to June 30, 2020 was calculated as follows:

$\$100,000.00 \times 0.635\% \times 80\% = \$508.00$  (where 80% is the 75% Qualified Optional Survivor conversion factor at retirement)

With the \$400.00 benefit earned prior to June 1, 2014, Joe's total monthly benefit was \$908.00 (\$400.00 + \$508.00).

When Joe died, Nancy began receiving \$681.00 (75% x \$908.00) per month.

Following the Legacy Benefit accrual multiplier increase on January 1, 2025, Nancy's increase in monthly benefit earned from June 1, 2014 to June 30, 2020 is calculated as follows:

$$\$100,000.00 \times (1.00\% - 0.635\%) \times 83\% \times 75\% = \$227.21$$

*Nancy's total monthly benefit is \$908.21 (\$681.00 + \$227.21).*

Affected participants and beneficiaries will be notified as to how this benefit improvement affects their benefit from the Plan.

The increased Legacy Benefit for retirees who are retired as of January 1, 2025 (as well as participants who retire in 2025 before the benefit improvement is administratively implemented) will be included prospectively in benefit payments and a separate lump sum amount will be issued to cover months payable retroactive to January 1, 2025 (if retired after January 1, 2025, retroactive to their retirement date). These changes will be made as soon as administratively possible.

### **Reallocation of Employer Contributions to the LIB**

The Trustees took action, effective June 1, 2025, to increase LIB accruals by reallocating 7% of the portion of employer contributions that had been used to fund Legacy Benefits (i.e., non-benefit bearing "Non-credited Contributions"). This means that the following allocations (which are applied towards the Plan's January 1, 2021 contribution rates) will apply effective June 1, 2025:

- All bargaining areas (except Shop and South Dakota contracts): 80.9% Legacy Benefit and 19.1% LIB;
- Shop contracts: 54.9% Legacy Benefit and 45.1% LIB; and
- South Dakota contracts: 63.2% Legacy Benefit and 36.8% LIB.

**Note that all contribution increases approved after 2020 are allocated 100% to LIB accruals.**

**Example 4:** *Bill was hired on January 1, 2025 and plans to work 1,680 hours per year. Bill also plans to work for 25 years until he is Normal Retirement Age (age 62) and then plans to retire on January 1, 2050. As of January 1, 2025, Bill's employer contributes \$10.91 to the Plan for each hour Bill works in covered employment; the employer's contribution rate as of December 31, 2020 was \$8.20 and \$2.71 in increases have been approved after 2020 (100% of the \$2.71 increase is allocated to the LIB). Prior to the benefit improvement, \$3.78 of the \$10.91 hourly contribution is allocated to the LIB and \$7.13 is allocated as a non-benefit bearing Non-credited Contribution to fund the Legacy Benefit. Effective June 1, 2025, \$0.50 of the Legacy Benefit allocation will be reallocated to the LIB, resulting in \$4.28 of the \$10.91 hourly contribution being allocated to the LIB. The table below shows how the reallocation will increase the amount of employer contributions used to calculate Bill's LIB.*

Reallocation of Employer Contributions to LIB		
Accrual Period	Before Reallocation	After Reallocation
1/1/2025 through 12/31/2025	<p>\$98.43</p> <p>= 1,680 hours x \$3.78 x 0.0155</p>	<p>\$106.02*</p> <p>= 700 hours x \$3.78 x 0.0155 (\$41.01)</p> <p>+</p> <p>980 hours x \$4.28 x 0.0155 (\$65.01)</p>
1/1/2026 through 12/31/2049	<p>\$2,362.35</p> <p>= 1,680 hours x \$3.78 x 0.0155 x 24 years</p>	<p>\$2,674.83</p> <p>= 1,680 hours x \$4.28 x 0.0155 x 24 years</p>
Total LIB as of 1/1/2050**	<p>\$2,460.78</p> <p>= \$98.43 + \$2,362.35</p>	<p>\$2,780.85</p> <p>= \$106.02 + \$2,674.83</p>

\* Assumes Bill works 700 hours before June 1, 2025 and 980 hours for the rest of the year.

\*\* Amounts shown do not account for annual adjustments to the LIB.

*As a reminder, the LIB continues to be subject to annual adjustments (which are not addressed in the table above) based on the Plan's average investment returns over the previous five years relative to the Plan's investment Hurdle Rate of 5%. If the Plan's average annual investment return over the previous five years is more than the 5% Hurdle Rate, the benefit under the LIB formula will increase. If the Plan's average annual investment return over the previous five years is less than the 5% Hurdle Rate, the benefit under the LIB formula will decrease.*

Participants who earn benefits on and after June 1, 2025 will see the increased LIB on their 2025 annual pension statement from the Plan.

As always, please contact the Fund Office if you have any questions or concerns.

Sincerely,

THE BOARD OF TRUSTEES OF THE NORTH CENTRAL STATES REGIONAL  
COUNCIL OF CARPENTERS' PENSION FUND

*This notice contains only highlights of certain features of the Plan. Full details are contained in the documents that establish the Plan provisions. If there is a discrepancy between the wording here and the documents that establish the Plan provisions, the Plan document language will govern. The Trustees reserve the right to amend, modify, or discontinue all or part of the Plan at any time.*