MAY 2021

Understanding Changes to the North Central States Regional Council of Carpenters Pension Plan

The Trustees of the North Central States Regional Council of Carpenters Pension Plan are committed to your retirement security. We support your future financial stability by providing two different types of retirement benefits: a defined contribution plan and a defined benefit plan. Your defined benefit plan, often referred to as your pension, serves as a foundation by ensuring lifelong income. Your defined contribution plan acts as a supplement and provides you additional flexibility.

This booklet is designed to help you understand the changes that are being made to your defined benefit plan. If you have questions regarding this booklet or your benefit under the Plan, please call the Fund Office at (715) 835-3174 or (800) 424-3405.

How is your pension plan changing?*

The following changes are designed to put the North Central States Regional Council of Carpenters Pension Plan on a more sustainable path and improve its financial stability.

1. Your pension will calculate benefits you earn after January 1, 2022 differently.

The new Lifetime Income Benefit design will be used to determine the benefits you earn starting January 1, 2022.** Under the new design, your benefits will adjust each year to reflect the earnings on Plan investments. When investments do well, your benefit can increase. When investments don't do as well, your benefit can go down. As investments tend to go up over time, this feature provides the possibility of higher benefits in the future. And, under the new design, when new contributions are allocated to the Plan, additional accruals can also be earned. In addition, your benefit can continue to grow as a result of investment returns — even after you retire.

More details about the Lifetime Income Benefit are found on the following pages.

2. Employers are increasing their contributions.

Based on new collective bargaining agreements, employers are increasing their contributions. For most contracts, the contribution rate allocated to the new plan design (the "LIB rate") will have 3 parts:

- **13% of the contribution rate in effect on January 1, 2021 (percentage may vary by contract)**
- **The contribution rate increase paid for by the employers ($1.11 per hour for most contracts)**
- **Additional new allocations made from existing wage packages or bargained (varies by contract)**

Starting January 1, 2022, contributions attributable to the LIB rate will earn benefits under the new plan design at the 1.55% multiplier (payable at age 62). Excess contributions will go to fund the traditional pension benefit, which is frozen as of December 31, 2021.

3. Some contributions made in 2021 will be "held in abeyance" until January 1, 2022.

Although the new plan design is not effective until January 1, 2022, for most contracts, increased contributions earmarked for the new plan design will begin being paid in May, June, or August (or other month) of 2021. To ensure that you earn the maximum benefit, all increases in employer contributions required under the new wage package allocations effective during 2021 or any other contribution increases that become effective in 2021 will **not** earn benefits under the 0.635% traditional pension design multiplier in 2021. Instead, these contribution increases will be "held in abeyance" to earn benefits under the new 1.55% multiplier in 2022. This special accrual requires that you earn service during 2022 and is paid **in addition** to your regular Lifetime Income Benefit accrual for that year.

As an example, suppose in 2020 your employer contributed $10.00 per hour worked on your behalf. In 2020, your final accrued benefit was calculated by subjecting the $10.00 per hour contribution to the 0.635% multiplier. Effective May 1, 2021, your employer must begin contributing $11.11 per hour on your behalf. Your final accrued benefit will be calculated by subjecting $10.00 per hour to the 0.635% multiplier. The additional $1.11 will be credited toward your Lifetime Income Benefit on January 1, 2022.

Note: If you retire before January 1, 2022, and have some contributions that were held in abeyance, such contributions will be added to your monthly pension benefit based on the 0.635% multiplier.

*This booklet is intended to comply with ERISA section 204(h). The terms of this booklet cannot modify the legal terms of the Plan document, which governs the operation of the Plan. If the non-technical language of this booklet and the technical language of the Plan conflict, the Plan document will control.

**Under the traditional pension benefit design, your benefit is calculated by multiplying the credited contributions your employer was required to make on your behalf by the benefit multiplier in effect at the time the hours were worked. Currently, for most contracts, 100% of contributions are credited and the multiplier is 0.635%.

How does the age at which you choose to retire affect your Lifetime Income Benefit?

The Lifetime Income Benefit's 1.55% multiplier is in effect for benefits that begin at your normal retirement age (generally age 62). Similar to the current Plan benefits, you will be able to receive your Lifetime Income Benefit as early as age 55, provided you have completed 10 years of continuous service. If you retire and elect to receive your benefit prior to normal retirement age, the multiplier will be adjusted on an actuarial equivalent basis to reflect the difference in how long benefits are expected to be paid.

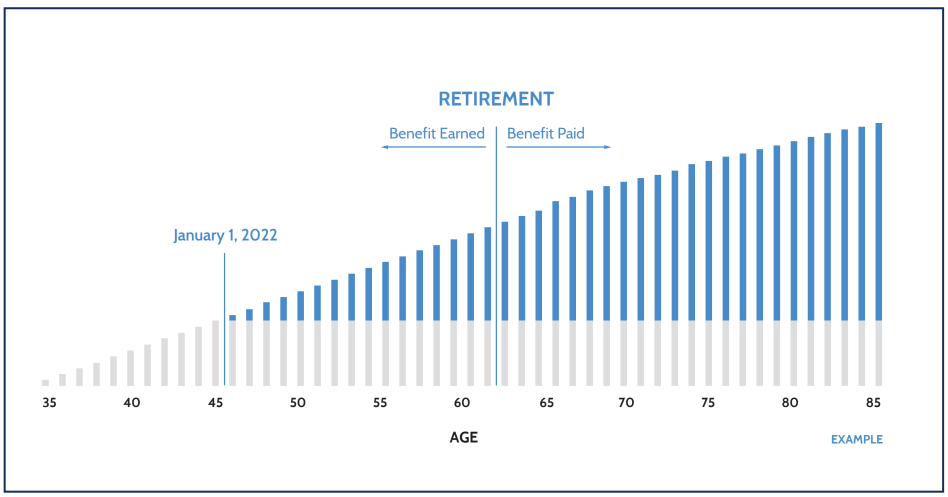
The table on the right shows the sample multiplier that will be used for benefits that begin at each retirement age 55 through 62. Your actual multiplier will be based on your age in years and months when benefits begin.

Age Benefits Begin	Effective Multiplier
Age 55	0.80%
Age 56	0.88%
Age 57	0.96%
Age 58	1.05%
Age 59	1.16%
Age 60	1.27%
Age 61	1.40%
Age 62	1.55%

What happens to the traditional pension benefit?

Going forward, your total pension benefit will be your **traditional pension benefit** *plus* your **Lifetime Income Benefit**. You still get lifelong income, receiving a monthly benefit once you retire. The difference is that your pension now will be calculated in two different ways:

- **The traditional pension benefit** formula applies to contributions related to work performed **on or before December 31, 2021, except for those held in abeyance**. This amount is fixed — and it still belongs to you.
- **The Lifetime Income Benefit** formula applies to hours worked **on or after January 1, 2022. This formula also generally applies to money held in abeyance**. This amount will be adjusted based on the 5-year average of the Plan's investment returns, and will vary from year to year.



Traditional Pension Benefit

+

Lifetime Income Benefit

=

Total Pension Benefit

Traditional Pension Benefit   Lifetime Income Benefit

What are some of the benefits of the Lifetime Income Benefit design?

Improved financial security

The financial environment is always changing. In the past, government regulations prevented the Plan from saving for the future during good investment years. So, when the Great Recession of 2008 happened, plans like ours started to encounter financial challenges. This change offers more protection from uncertainty in the markets.

Potential for growth

Benefit amounts automatically adjust each year based on the investment returns of the Plan's assets. This means that benefits under the Lifetime Income Benefit may increase or decrease from one year to the next. We expect that over the long term, benefits will increase compared to what they would have been if we didn't adopt the Lifetime Income Benefit plan design.

Increased buying power

Your pension can continue increasing even after you retire. This feature makes it possible for your retirement income to keep up with inflation. After retirement, the traditional pension benefit didn't grow with the market.

Attractive to employers

This change may make our Plan more attractive to new employers. More employers contributing to the Plan means more security for the Plan.

How is the Lifetime Income Benefits calculated? How does it adjust with the market?

Under the Lifetime Income Benefit (LIB) design, you will earn a benefit each year you are eligible and have contributions made to the plan on your behalf, just as you do today. The amount of the monthly benefit you will earn each year is equal to 1.55% of your contributions for the year. In other words, your multiplier is 1.55%, assuming you retire at age 62. The chart on page 3 shows the multiplier if you retire early.

In the new plan design, any benefit earned prior to the beginning of a year will receive an adjustment for that year based on the plan's 5-year average rate of return at the end of the year. The new benefit earned during the year is added to this amount to arrive at the benefit as of the end of the year.

Let's look at an example.

Our example will show how this could work over the first four years of the new Lifetime Income Benefit design. We'll use the following assumptions:

- You are a new plan participant who starts work January 1, 2022.
- The benefit you earn each year is equal to the total amount of contributions made on your behalf that are allocated to the new plan design, multiplied by 1.55%.* To simplify the math, let's say you earn $100 every year. (The actual contribution rate allocated to the new plan design varies by contract.)
- The plan has 5-year average rates of return of 7%, 4% and 10%.

**This multiplier assumes you retire at age 62. The chart on page 3 shows the different multipliers if you retire earlier than 62.*

The table below shows how the benefit will accrue.

Year	Benefit Earned in Prior Years	Applicable Rate of Return	Adjustment Factor	Adjusted Prior Benefit	New Benefit Earned	Total Benefit on December 31*
2022	$ -	n/a	n/a	$ -	$100.00	**$100.00**
2023	$100.00	7%	1.0190	$101.90	$100.00	**$201.90**
2024	$201.90	4%	0.9905	$199.98	$100.00	**$299.98**
2025	$299.98	10%	1.0476	$314.26	$100.00	**$414.26**

**Payable at age 62*

Now let's look more closely.

Year 2022

You earn a Lifetime Income Benefit of $100.00 for 2022.

Because there was no Lifetime Income Benefit earned prior to January 1, 2022, there is nothing to adjust.

Your benefit as of December 31, 2022 is **$100.00**.

$100 Benefit as of Dec. 31, 2022

Year 2023

Your benefit earned prior to January 1, 2023 is $100.00.

The Plan's 5-Year Average Investment Return is 7%. This is converted to an Adjustment Factor by adding 1 and dividing by 1.05 (which represents the 5% Hurdle Rate plus 1). This results in an Adjustment Factor of 1.019.

1 + 5-Year Average Investment Return	÷	1 + 5% Hurdle Rate	=	Adjustment Factor
1.07	÷	1.05	=	1.019 Adjustment Factor

Now multiply the $100.00 earned in 2022 by the 1.019 Adjustment Factor to see the adjusted prior benefit of $101.90.

$100 Benefit as of Dec. 31, 2022	x	1.019 Adjustment Factor	=	$101.90 Adjusted Benefit

Add this to your 2023 benefit accrual (once again assumed to be $100) and you have a total accrual of **$201.90** on December 31, 2023.

$101.90 Adjusted Benefit	+	$100 Benefit as of Dec. 31, 2023	=	$201.90 Total Accrual as of Dec. 31, 2023

continued on next page

Year 2024

Here's how it plays out for a year where the 5-Year Average Investment Return goes down to 4%.

1.04	÷	1.05	=	0.9905 Adjustment Factor

We multiply the Adjustment Factor by your benefit earned as of December 31, 2023. This results in an adjusted prior benefit of $199.98.

$201.90 Total Accrual as of Dec. 31, 2023	x	0.9905 Adjustment Factor	=	$199.98 Adjusted Benefit

Next, we add the $100.00 you earned in 2024. This results in a total benefit of $299.98 on December 31, 2024.

$199.98 Adjusted Benefit	+	$100 Benefit as of Dec. 31, 2024	=	$299.98 Total Accrual as of Dec. 31, 2024

Year 2025

And finally, let's look at 2025, when the 5-year Average Investment Return increases to 10%.

1.10	÷	1.05	=	1.0476 Adjustment Factor

We multiply the Adjustment Factor by your benefit earned as of December 31, 2024. This results in an adjusted prior benefit of $314.26.

$299.98 Total Accrual as of Dec. 31, 2024	x	1.0476 Adjustment Factor	=	$314.26 Adjusted Benefit

Next, we add the $100.00 you earned in 2025. This results in a total benefit of $414.26 on December 31, 2025.

$314.26 Adjusted Benefit	+	$100 Benefit as of Dec. 31, 2024	=	$414.26 Total Accrual as of Dec. 31, 2025

Other Important Notes:

- Your Lifetime Income Benefit will continue to be adjusted each year, **even after you have retired**.
- This example assumed you are a new participant as of January 1, 2022, but in reality you likely also have the benefit earned under the traditional pension benefit formula as December 31, 2021. This traditional pension benefit is fixed and will not vary from year to year. When you retire, you get both: your traditional pension benefit and your new Lifetime Income Benefit!
- Vesting occurs after five years for both pension plan designs. Any service you have already earned, or will earn in the future, will be applied to both designs. This means, if you are not yet vested, your future years of service will count towards vesting in the traditional pension benefit and you will receive both when you retire.

Looking for more information about the Lifetime Income Benefit?

- View two pension videos by logging on to our website at **www.ncscbf.com**.
- Watch for a Summary of Material Modification (SMM) to the Summary Plan Description (SPD) later this year.