

Your Sustainable Income Plan Benefit

Pipe Trades Services MN Pension Fund

August 2024

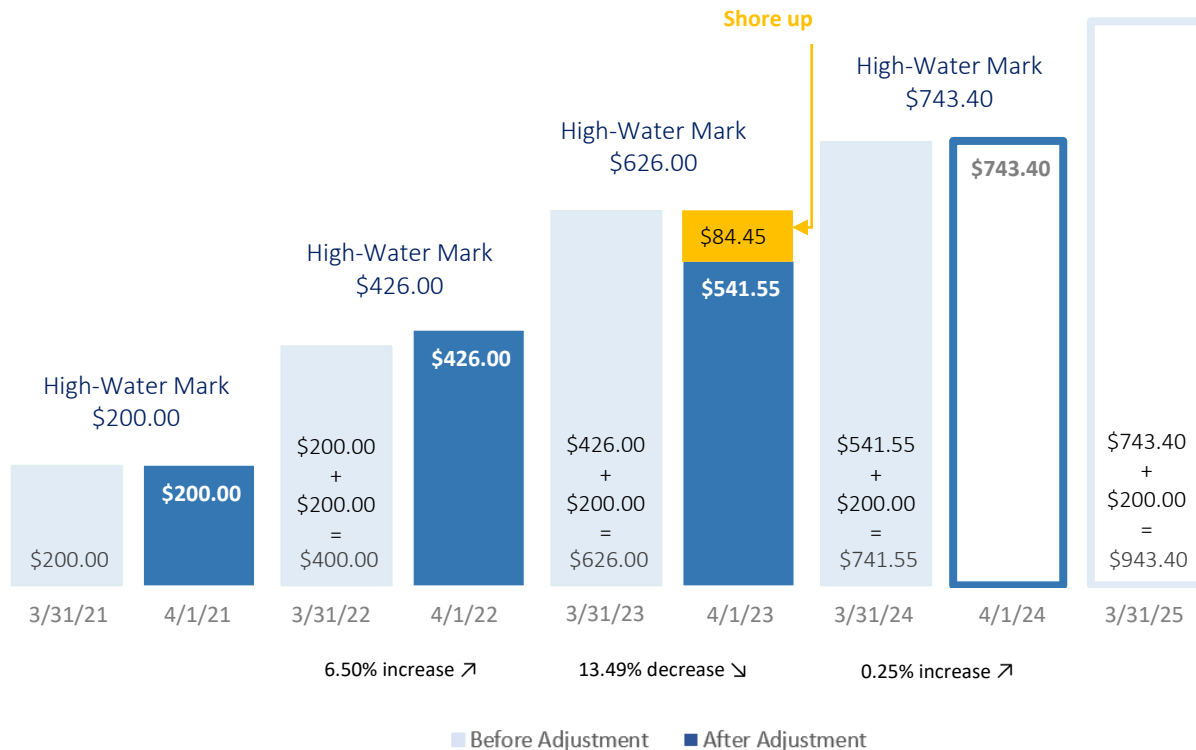
Sustainable Income Plan (SIP) Benefits Are Working as Designed

SIP Benefits from the Pipe Trades Services MN Pension Fund (“Pension Fund”) slightly increased in value as of April 1, 2024 and we expect them to be increased again by approximately 5.2% beginning April 1, 2025. This anticipated increase is based on an estimated +9.9% return for the Reference Fiscal Year ending April 30, 2024. When the Pension Fund had an investment return of -9.6% for the Reference Fiscal Year ending April 30, 2022, this translated to an adjustment of -13.49% to the value of your SIP Benefits beginning April 1, 2023. This investment return was approximately 14% below the “break-even” Hurdle Rate of +4.5%. In order to maintain retirees’ monthly payments, the Trustees elected to authorize Shore-up Payments from the Stabilization Reserve for the Plan Years beginning April 1, 2023 and April 1, 2024.

This is what the SIP Benefits were designed to do – adjust with investment returns the Pension Fund actually gets, both good and bad. When investments are good, the value of your SIP Benefits will automatically increase. When investment returns are poor, the Trustees can elect to protect retirees’ High-Water Mark Benefits by authorizing temporary benefit increases for retirees (called “Shore-up Payments”). These adjustments based on investment returns keep the Pension Fund’s funding on track and the Trustees can keep retirees’ benefits from declining.

Example 1, How Your SIP Benefits Work:

To keep things simple, let’s assume you have accrued a \$200.00 SIP Benefit each Plan Year since you began accruing SIP Benefits in 2020. Here’s how your SIP Benefits would increase through March 31, 2025, using actual returns through April 30, 2023:



Note that the benefit statement you received earlier this year shows data through March 31, 2023 customized for you. It does not show the hollow bars. These are shown here for illustration purposes. See Example 2 below on how to read your statement.

Reading Your Pension Statement

We are investigating options for making some improvements to the current statements. In the meantime, it may be helpful to walk through a sample.

Prefer video?

Go to
ptsmn.org/pension-fund.php
 for a video about how to
 read your pension statement.

As a reminder, the formula to calculate the SIP Benefits you accrue for a Plan Year is:

$$\text{SIP Accrual Rate} \times \text{Your Contribution Rate*} \times \text{Pension Credits}$$

$\$15.68 \times \text{From your CBA or an average if more than 1 rate during year} \times \text{For the Plan Year ending March 31}$

What that benefit accrual is effectively doing is “buying” SIP Units each Plan Year – the idea is that you accumulate SIP Units each year that you earn a benefit.

The price for “buying” SIP Units changes each Plan Year. The SIP Unit Value started at \$10.0000 as of April 1, 2020 (the year SIP Benefits began) and it remained at \$10.0000 for the first two years. Beginning April 1, 2023, the SIP Unit Value has adjusted (and will continue to adjust) each Plan Year with the Pension Fund’s investment returns. See the “SIP UNIT VALUE” column in the “Sample SIP Benefit Statement” or your statement for the historical SIP Unit Values.

SIP Benefits are adjusted each year on April 1 based on the Pension Fund’s investment return from the prior Reference Fiscal Year. The same adjustment factor is applied whether you are looking at your SIP Benefit amount or the SIP Unit Value:

$$\frac{1 + \text{SIP Investment Return}}{1 + 0.045 \text{ (the 4.5\% Hurdle Rate)}} - 1 = \text{SIP Adjustment Factor}$$

The SIP Adjustment Factor is limited to a maximum increase of 6.5% per year. Investment earnings above this maximum increase are directed to a separate Pension Fund account. This “rainy-day fund” can be used at the Trustees’ discretion to maintain retirees’ monthly benefit payments when the market takes a downturn. The Pension Fund tracks your highest SIP Benefit payment amount (called your “High-Water Mark Benefit”) for this purpose. When retirees’ SIP Benefit payment amounts dip below their High-Water Mark Benefit, the Trustees can elect to provide Shore-up Payments for that Plan Year to maintain retirees’ payments at the High-Water Mark Benefit level. Keep in mind, in the unlikely event the Trustees determine that the Pension Fund cannot afford to increase benefits, your SIP Benefits will still be paid—just at the Underlying Benefit level.

**For Plan Years beginning on or after April 1, 2024, Participants who accrue benefits under more than one contribution rate during the Plan Year (April 1 through March 31)—for example, someone who works out of more than one Local Union or an Apprentice who moves up—will accrue benefits using an average of the applicable contribution rates for that Plan Year.*

Example 2: Sample SIP Benefit Statement

In this example, the member’s March 31, 2024 year-end benefit is \$714.49. You can look at the benefit in two ways – in terms of dollars, or in terms of SIP units. We show both ways below.

Accrued SIP Benefits in Dollars

The following example shows how the math flows for the 2023-2024 row of this sample pension statement, on a dollar benefit basis:

YEAR-END	CONTRIB	HOURS	BANK HRS	PENSION	VESTING	COMMENT	SIP ACCR	**SIP UNITS**	SIP UNIT	YEAREND
MARCH	AMOUNTS	CREDITED	APPLIED	CREDITS	YR/TOTAL	CODES	RATES	YEAR / TOTAL	VALUE	BENEFIT
2020-2021	\$18,820.13	1,947.50		1.00	1 14		\$152.8800	15.2880 / 15.2880	\$10.00	\$152.88
2021-2022	\$23,579.00	1,964.00		1.00	1 15		\$192.0800	19.2080 / 34.4960	\$10.00	\$344.96
2022-2023	\$23,128.00	1,888.00		1.00	1 16		\$192.0800	18.0357 / 52.5317	\$10.65	\$559.46
2023-2024	\$27,452.25	2,241.00		1.20	1 17		\$192.0800	25.0177 / 77.5494	\$9.21	\$714.49 ***
SIP Totals:	\$92,979.38	8,040.50		4.20	4 17			77.5494 / 77.5494		\$714.49
Totals:	\$225,962.63	30,291.38		16.30	17 17					

Total Legacy Benefit: \$2,323.00
 Total S.I.P. Benefit: \$714.49
 Your Total Benefit is 100% Vested: \$3,037.49

Step 1: Adjust the 2022-2023 year-end benefit for the Pension Fund’s investment return from the Reference Fiscal Year ending April 30, 2022

$$\frac{1 - 0.0960}{1 + 0.045} - 1 = -13.49\% \quad \$559.46 \times (1 - 13.49\%) = \$483.9888$$

Step 2: Calculate SIP Benefit accrual earned for hours worked for Plan Year April 1, 2023 – March 31, 2024

$$\begin{array}{rclclcl} \text{SIP Accrual Rate} & & \text{Your Contribution Rate} & & \text{Pension Credits} & = & \text{Accrual} \\ \$15.68 & \times & \$27,452.25 \div 2,241.00 = 12.25 & \times & 1.20 & = & \$230.4960 \end{array}$$

Step 3: Add new SIP Benefit accrual to adjusted previous year-end benefit

$$\begin{array}{r} \text{New year-end benefit} \\ \$483.9888 \\ + \quad \$230.4960 \\ \hline = \quad \$714.49 \end{array}$$

Accrued SIP Benefits in SIP Units and SIP Unit Value

The following example shows how the math flows for the 2023-2024 row of this sample pension statement, on a SIP Units basis:

YEAR-END MARCH	CONTRIB AMOUNTS	HOURS CREDITED	BANK HRS APPLIED	PENSION CREDITS	VESTING YR/TOTAL	COMMENT CODES	SIP ACCR RATES	**SIP UNITS**		SIP UNIT VALUE	YEAREND BENEFIT
								YEAR	TOTAL		
2020-2021	\$18,820.13	1,947.50		1.00	1	14	\$152.8800	15.2880	15.2880	\$10.00	\$152.88
2021-2022	\$23,579.00	1,964.00		1.00	1	15	\$192.0800	19.2080	34.4960	\$10.00	\$344.96
2022-2023	\$23,128.00	1,888.00		1.00	1	16	\$192.0800	18.0357	52.5317	\$10.65	\$559.46
2023-2024	\$27,452.25	2,241.00		1.20	1	17	\$192.0800	25.0177	77.5494	\$9.21	\$714.49 ***
SIP Totals:	\$92,979.38	8,040.50		4.20	4	17		77.5494	77.5494		\$714.49
Totals:	\$225,962.63	30,291.38		16.30	17	17					

Total Legacy Benefit: \$2,323.00
 Total S.I.P. Benefit: \$714.49
 Your Total Benefit is 100% Vested: \$3,037.49

Step 1: Adjust 2022-2023 year-end SIP Unit Value for the Pension Fund’s investment return from the Reference Fiscal Year ending April 30, 2022

$$\begin{array}{rclclcl} \text{SIP Adjustment Factor} & & & & \text{Apply Adjustment} & & \\ \frac{1 - 0.0960}{1 + 0.045} - 1 & = & -13.49\% & \times & \$10.6500 & \times & (1 - 13.49\%) = \$9.2133 \end{array}$$

Step 2: Calculate SIP Benefit accrual earned for hours worked for Plan Year April 1, 2023 – March 31, 2024

$$\begin{array}{rclclcl} \text{SIP Accrual Rate} & & \text{Your Contribution Rate} & & \text{Pension Credits} & = & \text{Accrual} \\ \$15.68 & \times & \$27,452.25 \div 2,241.00 = 12.25 & \times & 1.20 & = & \$230.4960 \end{array}$$

Step 3: “Buy” additional SIP Units and add to previous total

$$\begin{array}{r} \$230.4960 \div \$9.2133 = 25.0177 \\ \text{New year-end SIP Benefit} \\ 25.0177 \\ + \quad 52.5317 \\ \hline \text{New total units} = 77.5494 \\ \text{New unit price} \times \$9.2133 \\ = \quad \$714.49 \end{array}$$

Glossary of Key Terms

High-Water Mark Benefit

On any date during a Plan Year, the greater of your:

- Highest SIP Benefit during the Plan Year;
- SIP Benefit on March 31 of the immediately preceding Plan Year; or
- High-Water Mark Benefit on April 1 of the immediately preceding Plan Year.

Underlying Benefit

The SIP Benefit without any Stabilization Reserve Shore-up Payment.

Hurdle Rate

The investment return threshold of 4.5% that must be reached to increase underlying benefits.

Reference Fiscal Year

The Fiscal Year (May 1-April 30) ending prior to the Plan Year (April 1-March 31) for which the SIP Investment Return is being determined. For example, the Fiscal Year beginning May 1, 2023 and ending April 30, 2024 is the Reference Fiscal Year for the Plan Year beginning April 1, 2025.

Shore-up Payment

A post-retirement benefit increase for a period of one Plan Year that is approved by the Trustees, in their sole and absolute discretion, to increase the monthly payment a Participant receives for his or her SIP Benefits by the difference between the Participant's SIP Benefit and the Participant's High Water Mark Benefit.

Legacy Benefit

The portion of your accrued benefit earned through and frozen on March 31, 2020 (as opposed to your SIP Benefit, earned on and after April 1, 2020).

Questions?

Contact the Fund Office at (651) 645-4540 if you have any questions.

This letter contains an overview of the Pipe Trades Services MN Pension Fund. Although we have made every effort to ensure this guide is accurate, provisions of the official plan documents will govern in the case of any discrepancy. Your benefits are determined in accordance with the Pension Fund's written Plan Document. Copies of the amendment are available by logging into www.ptsmn.org or by calling the Fund Office. Contact the Fund Office at (651) 645-4540 if you have any questions.