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DATE: November 2009
TO: All Pension Fund Participants, Designated Representatives,
Alternate Payees, Contributing Employers and Labor
Organizations
FROM: Boilermaker-Blacksmith National Pension Trust
RE: Important Notice Regarding Amendment 1 to the 12th
Restatement of the Pension Plan

The financial meltdown and economic recession which began in 2008 have negatively affected the retirement benefits of millions of Americans. Unfortunately, these adverse financial conditions have also impacted our Pension Plan (the Plan). Current conditions have forced the Plan Trustees to adopt Amendment 1 to improve the funding status of the Plan. This Notice, which is required under Section 204(h) of the Internal Revenue Code, explains how Amendment 1 will affect you.

How was the Pension Plan Amended?

After carefully weighing various options, the Trustees decided benefits should *not* be cut. Instead, the Trustees decided to respond to the funding problem solely by increasing contributions to the Plan. Amendment 1 to the Twelfth Restatement of the Pension Plan does the following:

- Increases the Minimum Contribution Rate for all contributing employers over a five-year period starting on January 1, 2010
- Treats increased future contributions as Supplemental Non-Accruing Contributions (you will *not* accrue benefits on these increased future contributions)
- Eliminates the current 15% Supplemental Non-Accruing Contribution for work performed on or after January 1, 2010

What Changes Apply to Current Retirees?

Amendment 1 does *not* reduce or affect in any way benefits already earned by currently retired Participants. If a retired Participant returns to work (under a Special Retiree Work Rule, for example) after January 1, 2010, the new rules will apply to all contributions earned after the retiree's return to work.

Richard L. Calcara
Executive Administrator

Leonard G. Beauchamp
Assoc. Exec. Administrator

Mario Rodriguez
Chief Investment Officer

Janae L. Schaeffer
Chief Compliance Officer

How Will Contribution Rates Be Increased?

Effective January 1, 2010, Amendment 1 establishes minimum contribution rates for all contributions payable to the Pension Plan. The Minimum Contribution Rate payable on your behalf will be based on the September 30, 2008, Pension contribution rate under the applicable collective bargaining agreement or participation agreement covering the job classification in which you are working on and after January 1, 2010. For any bargaining agreement or participation agreement that went into effect for a *new bargaining unit* or *new group of employees* after September 30, 2008, the Minimum Contribution Rate will be based on the contribution rates as of the effective date of the agreement.

The Minimum Contribution Rates payable by contributing employers will be equal to the **September 30, 2008, contribution rate** (the “Base Contribution Rate”), multiplied by the following factors:

- Effective January 1, 2010 - 135% of the Base Contribution Rate
- Effective January 1, 2011 - 170% of the Base Contribution Rate
- Effective January 1, 2012 - 205% of the Base Contribution Rate
- Effective January 1, 2013 - 240% of the Base Contribution Rate
- Effective January 1, 2014 - 275% of the Base Contribution Rate

This is an increase of 35% of the Base Contribution Rate for *each year*.

Wages may be reduced to pay for some or all of the higher contribution rate required by Amendment 1, subject to negotiation by bargaining parties if you are covered by a collective bargaining agreement. Please note regardless of any reduction in an employee’s wages, the Minimum Contribution Rates based on wages apply to wage rates in effect as of September 30, 2008. If all or part of the 35% per year Supplemental Non-Accruing Contribution is taken from wages, this must be handled as a *reduction* of your wage rate rather than a *deduction* from your wages.

The actual dollar amount of the Minimum Contribution Rate will vary from one bargaining agreement to the next. All contributions that exceed the September 30, 2008, Base Contribution Rate will be treated as Supplemental Non-Accruing Contributions effective January 1, 2010. The new Supplemental Non-Accruing Contributions will be contributions used to help improve the funding status of the Pension Plan and will *not* accrue benefits. In other words, the supplemental contribution amounts will *not* be used in calculating the amount of your pension benefit.

The portion of contributions which represents the amount contributed for your job classification on September 30, 2008, will continue to be treated as “Regular Contributions,” meaning they *will* continue to accrue benefits.

What Changes Apply to Current Participants Who Remain Active?

Effective for work performed on and after January 1, 2010, two changes will apply to current Participants who remain active.

- 1. The old 15% Supplemental Non-Accruing Contribution** – The old 15% Supplemental Non-Accruing Contribution is eliminated for hours worked on or after January 1, 2010.
- 2. The new 35% per year Supplemental Non-Accruing Contribution** – For work performed on or after January 2010, contributions must be made on your behalf that are at least 35% higher than the September 30, 2008, rate contributed for the job classification you are working in on and after January 1, 2010. Each subsequent year, through 2014, an additional 35% of the September 30, 2008, rate contributed for your job classification must be contributed. Those additional 35% per year contributions will *not* go toward your accrued benefit. As a result, only contributions received on your behalf that are attributable to the September 30, 2008, Base Contribution Rate will be included in the calculation of your pension benefit.

Any increase in the contribution rate that went into effect after September 30, 2008, (from October 1, 2008, through December 31, 2009) may be applied toward the 35% increase required effective January 1, 2010.

Example 1: The Pension contribution rate effective on September 30, 2008 for journeymen under the ABC Boiler Company collective bargaining agreement was \$4.50 per hour. Effective January 1, 2009, ABC Boiler and the Union's new collective bargaining agreement raised the per hour Pension contribution rate to \$5.00 per hour. As a result of the 15% Supplemental Non-Accruing Contribution, effective February 1, 2009, the first \$4.25 per hour was subject to benefit accrual, and the remaining \$.75 per hour was treated as supplemental and not subject to benefit accrual.

Effective January 1, 2010, pension contributions must be made for ABC Boiler journeymen at the rate of \$6.08 per hour ($\$4.50 \times 35\% = \1.58 . $\$4.50 + \$1.58 = \$6.08$). However, only an additional \$1.08 will be contributed on behalf of the ABC Boiler journeymen, because the pension contribution rate was previously raised by 50¢ on January 1, 2009. Therefore, effective January 1, 2010, the first \$4.50 per hour will be subject to benefit accrual, and the remaining \$1.58 per hour (50¢ of old money and \$1.08 of new money) will be treated as Supplemental Non-Accruing Contributions.

▪ **How is the new 35% per year Supplemental Non-Accruing Contribution Calculated if You Change Employers?**

If you change employers, the new 35% per year Supplemental Non-Accruing Contribution will be calculated based on your new employer's collectively bargained contribution rate as of September 30, 2008. If, for example, your new employer's September 30, 2008, collectively bargained contribution rate was \$5.00 per hour, the additional 35% per year Supplemental Non-Accruing Contribution which will be excluded from your pension benefit will be \$1.75 per hour.

▪ **How is the new 35% per year Supplemental Non-Accruing Contribution Calculated if You Change Job Classifications?**

If you change job classifications, the new 35% per year Supplemental Non-Accruing Contribution will be calculated based on the September 30, 2008, contribution rate of your new job classification under the collective bargaining agreement or

participation agreement under which you are working. For example, your job classification might change from an apprentice to a journeyman. If the September 30, 2008, contribution rate under the collective bargaining agreement was \$3.00 per hour for apprentices and \$5.00 per hour for journeymen, the new 35% per year Supplemental Non-Accruing Contribution will increase from \$1.05 an hour while you were an apprentice to \$1.75 per hour for hours worked as a journeyman.

- **What Happens if Your Employer Increases the Contribution Rate by More Than 35% per year of the September 30, 2008 Base Contribution Rate?**

If during 2010 (or any subsequent year prior to 2015) the contribution rate contributed on your behalf *exceeds* the required percentage of the September 30, 2008 rate, the excess amount will be treated as a Supplemental Non-Accruing Contribution – you will *not* accrue benefits on the excess amount. This is because the Plan cannot afford to have any new accrued benefits on contributions above the rate in effect on September 30, 2008, during the 2010 through 2014 time period.

- **How is the new 35% per year Supplemental Non-Accruing Contribution Calculated if Your Pension Contributions are Based on a Percentage of Your Wages?**

If your pension contributions are based on a percentage of your wages, the new 35% per year Supplemental Non-Accruing Contribution will be calculated based on the September 30, 2008 contribution rate of the job classification in which you are working on and after January 1, 2010. If your job classification did not exist as of September 30, 2008, the new 35% per year Supplemental Non-Accruing Contribution will be calculated based on your job classification's rate as of the first date following September 30, 2008, that your job classification was in existence. If you change job classifications, your new job classification's rate as of September 30, 2008, will be used to calculate the new 35% per year Supplemental Non-Accruing Contribution.

- **What Are Additional Examples of How the Amendment will Affect Future Contribution Rates and Benefit Accruals?**

Example 2: Assume John Smith is a Participant in the Pension Plan. He is hired by ABC Boiler as a Journeyman Boilermaker on November 15, 2009. ABC Boiler is signed to a collective bargaining agreement under which the Pension contribution rate for a Journeyman Boilermaker is \$5.60 an hour on November 15, 2009. The contribution rate for a Journeyman Boilermaker on September 30, 2008, was \$5.00 an hour. Under the Pension Plan's current rules, for each hour of covered employment he works between November 15, 2009, and December 31, 2009, John earns \$4.76 (\$5.60 per hour x 85%) of benefit accrual in the Pension Plan, while \$0.84 (\$5.60 x 15%) of each hourly contribution is non-accruing. Starting January 1, 2010, ABC Boiler must pay the Pension Plan a minimum contribution of \$6.75 (\$5.00 x 135%) an hour for each Journeyman Boilermaker it employs, of which amount \$5.00 will accrue benefits and the balance, or \$1.75, will *not* accrue benefits. Starting January 1, 2011, the minimum contribution rate will increase to \$8.50 an hour (\$5.00 x 170%), of which amount \$5.00 will accrue benefits and the balance, or \$3.50, will be non-accruing. John cannot accrue more than \$5.00 an hour in future benefits until January 1, 2015, at when he may begin accruing additional benefits, but only if his employer contributes more than the Minimum Contribution Rate.

Example 3: Assume the same facts as in Example 2, except the collective bargaining agreement sets the Pension contribution rate at 10% of base compensation, rather than using an hourly rate. On September 30, 2008, the wage rate for a Journeyman Boilermaker under the collective bargaining agreement was \$35.00 an hour, and on November 15, 2009, it was \$36.00 per hour. On and after November 15, 2009, through December 31, 2009, ABC Boiler must pay \$3.60 ($\$36.00 \times 10\%$) an hour in contributions on John's behalf. Of this amount, \$3.06 ($\$3.60 \times 85\%$) accrues benefits and \$0.54 ($\$3.60 \times 15\%$) does *not* accrue benefits. Starting January 1, 2010, the Minimum Contribution Rate payable by ABC Boiler on behalf of each Journeyman Boilermaker is \$4.73 ($\$35.00 \times 10\% \times 135\%$) an hour, of which amount, \$3.50 accrues benefits and \$1.23 is non-accruing. Starting January 1, 2011, the minimum contribution rate will be \$5.95 ($\$35.00 \times 10\% \times 170\%$) an hour, of which amount \$3.50 accrues benefits and \$2.45 is non-accruing.

▪ **Could the Rate of Your Future Benefit Accruals Actually Decrease as a Result of the Amendment?**

It is possible the rate of your future benefit accruals may decrease as a result of the amendment if the pension contribution rate for your job classification has increased (or currently is scheduled to increase) significantly since September 30, 2008.

Example 4: Assume the same facts as in Example 2, except that the Pension contribution rate for a Journeyman Boilermaker is \$6.00 an hour on November 15, 2009. The contribution rate for a Journeyman Boilermaker on September 30, 2008 was \$5.00 an hour. Under the Pension Plan's current rules, for each hour of covered employment he works between November 15, 2009, and December 31, 2009, John earns \$5.10 ($\$6.00 \text{ per hour} \times 85\%$) of benefit accrual in the Pension Plan, while \$0.90 ($\$6.00 \times 15\%$) of each hourly contribution is non-accruing.

Starting January 1, 2010, ABC Boiler must pay the Pension Plan a minimum contribution of \$6.75 ($\$5.00 \times 135\%$) an hour for each Journeyman Boilermaker it employs, of which amount \$5.00 will accrue benefits, a decrease of \$.10 per hour in John's contribution rate subject to benefit accrual. John cannot accrue more than \$5.00 an hour in future benefits until January 1, 2015, when he may begin accruing additional benefits, but only if his employer contributes more than the minimum contribution rate.

Assuming he is currently age 60, works 1,200 hours of covered employment per year and then retires on January 1, 2015, the additional monthly pension John earns during the next five years will be \$825.00 ($\$5.00 \times 1,200 \times 5 \times .33 \text{ divided by } 12$). Before the amendment John would have earned an additional monthly pension of \$841.50 ($\$5.10 \times 1,200 \times 5 \times .33 \text{ divided by } 12$) over that time period.

Example 5: Assume the same facts as in Example 2, except that the Pension contribution rate for a Journeyman Boilermaker is \$5.75 an hour on November 15, 2009, and is currently scheduled to increase to \$6.00 an hour on January 1, 2010 and \$6.25 an hour on January 1, 2011. The contribution rate for a Journeyman Boilermaker on September 30, 2008, was \$5.00 an hour. Under the Pension Plan's current rules, for each hour of covered employment he works between November 15, 2009, and December 31, 2009, John earns \$4.89 (\$5.75 per hour x 85%) of benefit accrual in the Pension Plan, while \$0.86 (\$5.75 x 15%) of each hourly contribution is non-accruing. Under the current collective bargaining agreement, John would earn \$5.10 (\$6.00 per hour x 85%) of benefit accrual in the Pension Plan for 2010 and \$5.31 (\$6.25 per hour x 85%) for 2011.

After the amendment, starting January 1, 2010, ABC Boiler must pay the Pension Plan a minimum contribution of \$6.75 (\$5.00 x 135%) an hour for each Journeyman Boilermaker it employs, of which amount \$5.00 will accrue benefits. John cannot accrue more than \$5.00 an hour in future benefits until January 1, 2015, when he may begin accruing additional benefits, but only if his employer contributes more than the minimum contribution rate.

Assuming he is currently age 60, works 1,200 hours of covered employment per year and then retires on January 1, 2015, the additional monthly pension John earns during the next five years will be \$825.00 (\$5.00 x 1,200 x 5 x .33 divided by 12). Before the amendment John would have earned an additional monthly pension of \$869.22 [(\$5.10 x 1,200 x 1 x .33 divided by 12) + (\$5.31 x 1,200 x 4 x .33 divided by 12)] over that time period.

The Board of Trustees is committed to helping you create a financially secure retirement and intends to maintain our Plan for the foreseeable future to help you do so. The Trustees will continue to work with professional advisors to continually monitor the Fund's financial health to ensure continuous benefit payments to current and future Participants and beneficiaries. The Board of Trustees does, however, retain the right to amend or modify the Plan at any time. The Trustees intend to take whatever action may be necessary to insure continued existence and financial health of the Plan overall.

Additional information about Amendment 1's pension benefit reductions is posted on the Fund's Web site, www.bnf-kc.com.

If you have any questions concerning this amendment, please contact Customer Care, 7 a.m. to 5 p.m. CST, Monday through Friday.

Sincerely,

The Board of Trustees
Boilermaker-Blacksmith National Pension Trust