

Puget Sound Electrical Workers Pension Plan

Physical Address 7525 SE 24th Street, Suite 200, Mercer Island, WA 98040 • Mailing Address PO Box 34203, Seattle, WA 98124
Phone (206) 441-4667 or (866) 314-4239 • Fax (206) 505-9727 • Website www.psewtrusts.com

Administered by
Welfare & Pension Administration Service, Inc.

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To: All Participants in the Puget Sound Electrical Workers Pension Trust

The Board of Trustees recently approved two changes to the Pension Plan: (1) New benefit form factors that apply to benefits earned on or after June 1, 2023, and (2) An exception to the break-in-service rules for certain employment with the International Union.

Changes to Pension Plan Benefit Form Factors

Effective June 1, 2023, the Puget Sound Electrical Workers Pension Plan's ("Plan") Joint and Survivor Annuity and Benefit Enhancement benefit form factors will be changing. These *Joint and Survivor* changes will only apply to benefits *earned on or after the effective date of June 1, 2023*; the *Benefit Enhancement* changes will apply to qualified plan rollovers linked to retirement effective dates on or after June 1, 2023. The details are discussed below.

Note: If you are retired before June 1, 2023, and do not earn any additional benefits on or after that date, these changes *will not* apply to you.

Joint and Survivor Benefit Form Factor Changes

When a participant retires and elects to have benefits provided to a surviving spouse or beneficiary, the Plan adjusts benefits payable over the life of the participant from a Single Life Annuity with a 60-month Guarantee, the automatic benefit option for a unmarried participant, to a Joint and Survivor Annuity benefit payable over the life the participant and surviving spouse or beneficiary. Plan payments under the Joint and Survivor benefit options (50%, 75% and 100%) are reduced in comparison to the Single Life Annuity for a single participant to provide for the likelihood of continuing lifetime payments to the surviving spouse or beneficiary. Joint and Survivor reduction factors are used to adjust benefits payable to the participant to those payable to any surviving spouse and are also used when a participant dies prior to retirement.

Benefits Earned Prior to June 1, 2023 – Current Plan Terms

For benefits earned prior to June 1, 2023, the Plan applies a set of formulas to determine how to convert the benefit payable under the Single Life Annuity for a single participant to a benefit payable under a Joint and Survivor option. These formulas adjust for the difference between the participant's and spouse's ages. The formulas that apply to the current set of factors were derived from an underlying set of assumptions that includes the 1971 Group Annuity Mortality Table (male participant; female beneficiary) for healthy lives, the 1944 Disabled Railway Employees Ultimate Mortality Table for Disabled Participants and a 6.5% interest rate.

Benefits Earned After June 1, 2023

For benefits earned after June 1, 2023, the plan will use an updated modern mortality table¹ and an interest rate of 5%, which are expected to provide larger Joint and Survivor benefits as compared to those

¹ Private Retirement Plans-2012 Mortality Table; (male for Participant; female for the Beneficiary; set forward 10 years for participant disability) projected to 2023 with the MP-2021 projection scale.

based on the prior mortality table and interest rate used, in most cases. Because these changes could be less generous at certain late retirement ages, this notice is being provided to also satisfy ERISA section 204(h).

See Exhibits A and B for sample factors that apply to benefits earned before and after June 1, 2023 based on the form elected, the age of participant, and the age of beneficiary.

Example 1 – Married Couple Electing Single Life Annuity

Mike works 50,000 hours over 30 years and decides to retire under the Plan’s Special Early Retirement provision on June 1, 2025 at *age 55*. He is married (*spouse age 52*) and would like to know what are the benefit amounts under each benefit form. Mike’s benefit earned prior to June 1, 2023 is \$5,000 per month payable on his normal retirement age of 63 while his benefit earned for the two plan years ending June 1, 2025 is \$300 per month payable on his normal retirement age of 63. Because Mike has more than 35,000 hours, none of his normal retirement benefits are reduced for early retirement. If, after being presented with all benefit form options, Mike’s spouse consents to Mike’s receipt of his benefit in the Single Life Annuity—60 Months Guarantee form, Mike would receive \$5,300 (= \$5,000 + \$300) for his life starting on June 1, 2025 with a guarantee that this amount is payable to his Beneficiary (spouse unless spouse consents otherwise) for the remainder of the first 5 years should Mike die within that period of time. Spousal consent would also be needed for Mike to elect to receive his benefits under the Level Income Option. Otherwise, benefits are payable to Mike in a Joint and Survivor form. The calculation amounts payable under each Joint and Survivor Annuity form that would be payable for his life and his spouse’s life should she survive him follow.

Example 2 – Married Couple Electing Joint and Survivor Annuity

Same facts as Example 1 above: Mike age 55 and spouse age 52 retiring on June 1, 2025. They could select from the following Joint and Survivor (“J&S”) options producing the following amounts at Mike’s June 1, 2025 retirement date:

Benefit Form	Benefits Earned Prior to June 1, 2023	Benefits Earned on or after June 1, 2023	Total Monthly Benefit
100% J&S	$\$5,000 \times .754 = \$3,770.00$	$\$300 \times .8727 = \261.81	$\$3,770.00 + \$261.81 =$ \$4,031.81
75% J&S	$\$5,000 \times .801 = \$4,005.00$	$\$300 \times .9023 = \270.69	$\$4,005.00 + \$270.69 =$ \$4,275.69
50% J&S	$\$5,000 \times .860 = \$4,300.00$	$\$300 \times .9339 = \280.17	$\$4,300.00 + \$280.17 =$ \$4,580.17
100% J&S Pop-Up	$\$5,000 \times .720 = \$3,600.00$	$\$300 \times .8588 = \257.64	$\$3,600.00 + \$257.64 =$ \$3,857.64
75% J&S Pop-Up	$\$5,000 \times .773 = \$3,865.00$	$\$300 \times .8911 = \267.33	$\$3,865.00 + \$267.33 =$ \$4,132.33
50% J&S Pop-Up	$\$5,000 \times .840 = \$4,200.00$	$\$300 \times .9261 = \277.83	$\$4,200.00 + \$277.83 =$ \$4,477.83

If Mike’s spouse predeceases him, the bolded amounts multiplied by the J&S percentage would continue to the spouse’s lifetime. If Mike and his spouse elect a “Pop-Up Option” and Mike’s spouse dies first, the above benefits would increase to the amount that would have been payable under the Single Life Annuity—60 Months Guarantee form which is \$5,300 per month in this case.

Benefit Enhancement Option (“BEO”) Factor Changes for Retirement Dates After June 1, 2023

When you retire, the plan allows you to rollover all or a portion of your account balance of \$40,000 or more from a qualified defined contribution plan, such as the Puget Sound Electrical Workers 401(k) Savings Plan, to this Plan. This Plan converts the balance you roll over to a benefit payable at your retirement age (the date that you pension benefit starts) using a Benefit Enhancement Option (“BEO”) factor. The converted benefit is then further adjusted for any applicable benefit form options (i.e., Single Life Annuity or Joint and Survivor). This resulting benefit is paid in accordance with the form you elect (must be the same form as you elect for your pension benefit) but with a guarantee that you and your beneficiary or beneficiaries will receive no less than the account balance you rolled over to the pension plan.

For retirement effective dates on or after June 1, 2022 and prior to June 1, 2023, BEO conversion factors are based on the 1983 Group Annuity Mortality table for Males and an interest rate of 6.75%. For retirement effective dates on or after June 1, 2023, the BEO conversion factors will be based on an updated mortality table² using a 5% interest rate. **See Exhibit C** for examples of BEO factors for retirement dates before and on or after June 1, 2023.

Example 3 – Unmarried Participant Single Life Annuity with 401(k) rollover

John is single and elects to retire at age 55 and start his pension benefit on June 1, 2023 in the Single Life Annuity—60 Months Guarantee form. He also elects to transfer \$100,000 from his PSEW 401(k) Savings account balance to the pension plan for conversion to an annuity from the pension plan on this same date. Using the plan’s BEO factor for his retirement date on June 1, 2023 of 179.9075, John will receive \$555.84 (= \$100,000 divided by 179.9075) for each month that he is alive and his beneficiary(ies) would receive that same benefit for the remainder of the first 5 years if John should die. In addition, his beneficiary(ies) would receive one lump sum equal to the excess (if any) of the amount transferred (\$100,000 in this case) and the payments received by John and his beneficiary at the latter of the month following John’s death and the end of the 5- year guarantee period. So, if John dies on June 1, 2025, his beneficiary(ies) would receive \$555.84 for the next 3 years and \$66,649.60 (= \$100,000 – 60 x \$555.84) in one lump sum following his death.

Note: Had John been 55, elected to retire at that age on May 1, 2023 in the Single Life Annuity—60 Months Guarantee form and rolled over the same \$100,000, he would have received \$697.48 (= \$100,000 divided by 143.3733) for each month that he is alive and his beneficiary(ies) would receive that same benefit for the remainder of the first 5 years if John should die.

Break-in-Service Exception for Employment with the International Brotherhood of Electrical Workers

A break-in-service occurs at the end of two consecutive Plan years during which you fail to earn less than 400 hours of service in either year. If you have not vested and you incur a break-in-service, you could be terminated from the Plan and not receive any pension benefits.

The Plan, however, provides exceptions for certain absences from covered employment from qualifying as a break-in-service. Effective November 1, 2022, employment with the International Brotherhood of Electrical Workers (“IBEW”) that is continuous with covered employment in this Plan (no break-in-service before or upon return to covered employment in this Plan) no longer counts toward incurring a break-in-service. This may allow some participants that have worked or will work for the International IBEW to avoid losing benefits already earned.

Employment with the International IBEW, however, will not count towards the crediting of service for benefit accrual, vesting, or benefit eligibility.

If you have questions regarding these changes, please contact the Fund Office at 1-866-314-4239, Option 2.

² Private Retirement Plans-2012 Mortality Table for Males projected to 2023 using the MP-2021 projection scale.

Exhibit A. Examples of Joint and Survivor Annuity Factors for benefits earned before June 1, 2023.

Beneficiary's Age in Relation to Retiree's Age	REGULAR		
	Amount to be Continued to Joint Annuitant		
	100%	75%	50%
Each Additional Year older	+0.008	+0.007	+0.005
5	0.834	0.871	0.910
4	0.826	0.864	0.905
3	0.818	0.857	0.900
2	0.810	0.850	0.895
1	0.802	0.843	0.890
same age	0.794	0.836	0.885
-1	0.786	0.829	0.880
-2	0.778	0.822	0.875
-3	0.770	0.815	0.870
-4	0.762	0.808	0.865
-5	0.754	0.801	0.860
Each Additional Year Younger	-0.008	-0.007	-0.005

Example:

Retiree age	55	100%	Factor 0.754
Beneficiary age	<u>50</u>	75%	Factor 0.801
Years younger	-5	50%	Factor 0.860

**Exhibit A. Examples of Joint and Survivor Annuity Factors for benefits earned before June 1, 2023.
(continued)**

Beneficiary's Age in Relation to Retiree's Age	WITH POP-UP*		
	Amount to be Continued to Joint Annuitant		
	100%	75%	50%
Each Additional Year older	+0.008	+0.007	+0.005
5	0.800	0.843	0.890
4	0.792	0.836	0.885
3	0.784	0.829	0.880
2	0.776	0.822	0.875
1	0.768	0.815	0.870
same age	0.760	0.808	0.865
-1	0.752	0.801	0.860
-2	0.744	0.794	0.855
-3	0.736	0.787	0.850
-4	0.728	0.780	0.845
-5	0.720	0.773	0.840
Each Additional Year younger	-0.008	-0.007	-0.005

* If the joint annuitant pre-deceases the retiree the retiree's benefit will "pop up" to its full value.

Example:

Retiree age	55	100%	Factor 0.720
Beneficiary age	<u>50</u>	75%	Factor 0.773
Years younger	-5	50%	Factor 0.840

Exhibit B. Sample factors that will apply to benefits earned on or after June 1, 2023 for various benefit options, with various participant and spouse ages.

Participant Age/Beneficiary Age	100% J&S	75% J&S	50% J&S	100% J&S Pop-up	75% J&S Pop-up	50% J&S Pop-up
65/70	0.8884	0.9161	0.9456	0.8586	0.8928	0.9298
65/65	0.8487	0.8841	0.9226	0.8226	0.8632	0.9079
65/60	0.8091	0.8516	0.8987	0.7875	0.8337	0.8858
60/65	0.9007	0.9251	0.9508	0.8778	0.9072	0.9386
60/60	0.8697	0.9003	0.9332	0.8496	0.8844	0.9220
60/55	0.8386	0.8751	0.9150	0.8217	0.8614	0.9052
55/60	0.9118	0.9333	0.9558	0.8944	0.9198	0.9466
55/55	0.8875	0.9141	0.9423	0.8722	0.9020	0.9339
55/50	0.8630	0.8945	0.9283	0.8499	0.8840	0.9209

Exhibit C. Benefit Enhancement Option (“BEO”) Factors Changes for Retirement Dates Before or on or After June 1, 2023

Age	Retirement Effective Dates Before June 1, 2023	Retirement Effective Dates on or After June 1, 2023
55	143.3733	179.9075
60	133.4916	167.1777
65	122.3843	152.6402