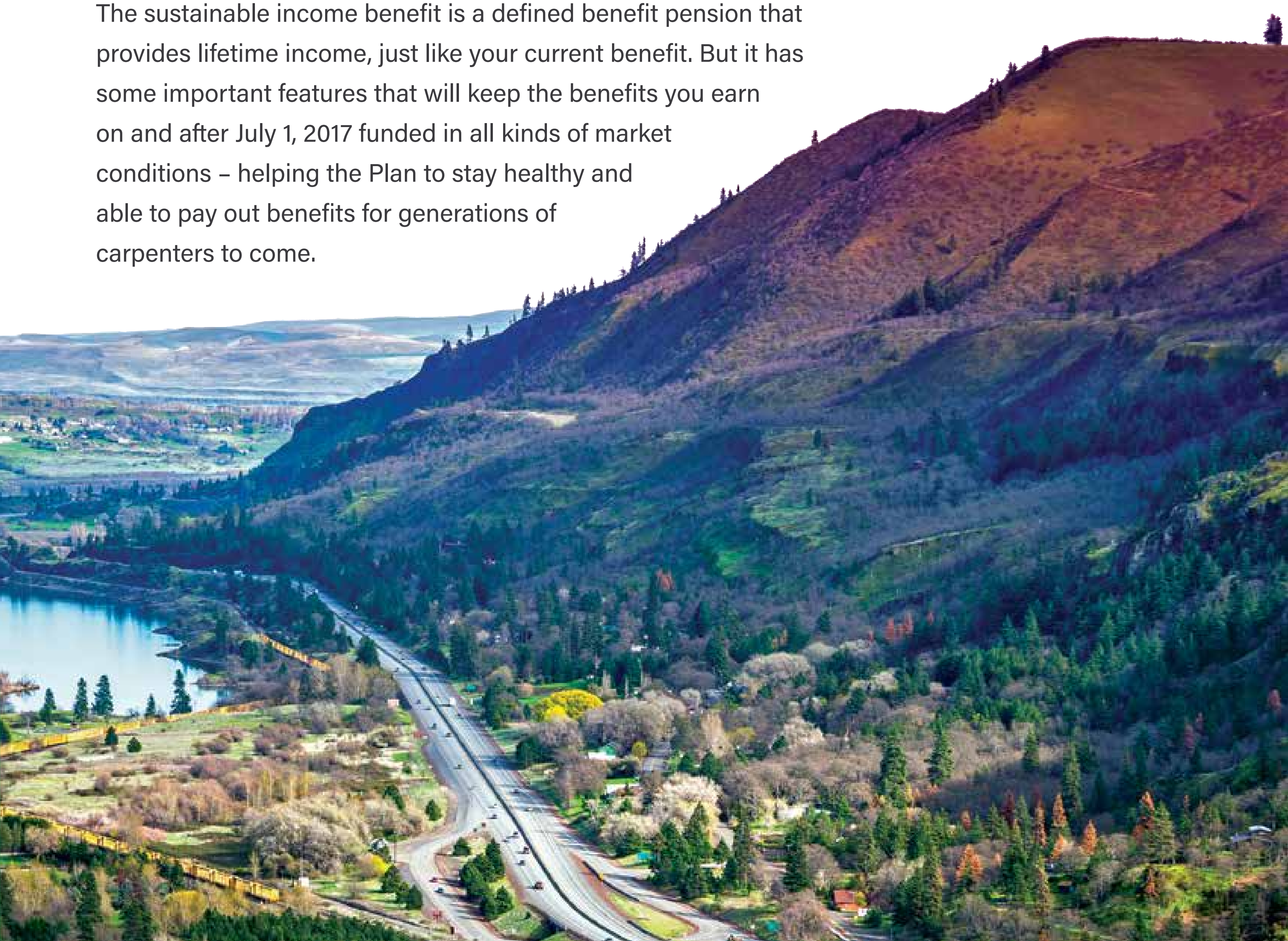
Building **a stronger** future

On July 1, 2017, the Oregon-Washington Carpenters-Employers Pension Plan benefit is changing to a new "sustainable income benefit" formula.

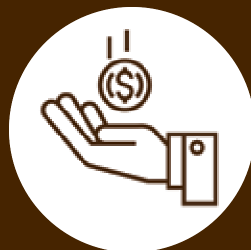
The sustainable income benefit is a defined benefit pension that provides lifetime income, just like your current benefit. But it has some important features that will keep the benefits you earn on and after July 1, 2017 funded in all kinds of market conditions – helping the Plan to stay healthy and able to pay out benefits for generations of carpenters to come.



What’s **Happening?**

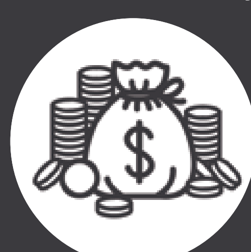
Beginning with hours worked on and after July 1, 2017:

You will continue to earn a benefit each year you work.



The new sustainable income benefit starts out lower than the traditional benefit, but after it’s earned, the benefit will be adjusted each year with the Plan’s investment returns. This benefit is expected, but not guaranteed, to increase during your working years and throughout your retirement.

You will keep the traditional benefit you earn through June 30, 2017. When you retire, you will receive both the traditional and sustainable income benefits you earned.



Why **Change?**

It's no secret that pension plans across the country have been facing some significant challenges. Over the last couple of decades, the foundation on which traditional pension plans were developed has shifted.

- People are living longer, which means the Plan is paying out more in benefits than what was expected back when those retirees were earning benefits.
- A decade of challenging investment returns means the Plan lost a lot of ground in terms of funding benefits.

The Plan's funding is in the "green" zone, but that doesn't mean the Plan is protected from the conditions that have damaged other pension plans across the country.

Already, a significant portion of the contributions made to this Plan go only toward funding benefits earned in the past, instead of building new benefits. We need to make a change for the future.

The best way to deal with the Plan's situation is to take some difficult steps now to begin to turn things around. We are better off if we are proactive.

Recent changes in the law allow us to build a Plan that is more sustainable for the long run; one that can withstand the bad years in the market while taking advantage of the good years.

Advantages

The new benefit is lower than the traditional benefit, but making this move gives us a real chance to change the future of the Plan for the better. And while making the switch may not be easy, the advantages are important:

For You

- The new benefit is still a defined benefit pension and continues to provide the security of lifelong income (like the traditional benefit).
- Unlike the traditional benefit, the sustainable income benefit has the potential to maintain your buying power, reducing the risk that inflation will eat away at your standard of living.
- You keep the traditional benefit you earn through June 30, 2017. This benefit will not adjust with investment returns.
- The vesting requirement, under both the traditional and sustainable income benefits, is changing from 5 years to 3 years. You don't have to start over when it comes to vesting in the new benefit – the vesting service you have already earned will count.

For the Plan

- It puts the Plan on a more sustainable path, for a stronger future.
- The new sustainable income benefit is designed to stay funded at all times – that means new benefits won't add unfunded liability to the Plan and, over time, the underfunding that currently exists will be eliminated.
- Funding will be more predictable.

How it **Works**

The sustainable income benefit is a pension with the flexibility to fluctuate with the market. Here are some important differences from the traditional benefit:

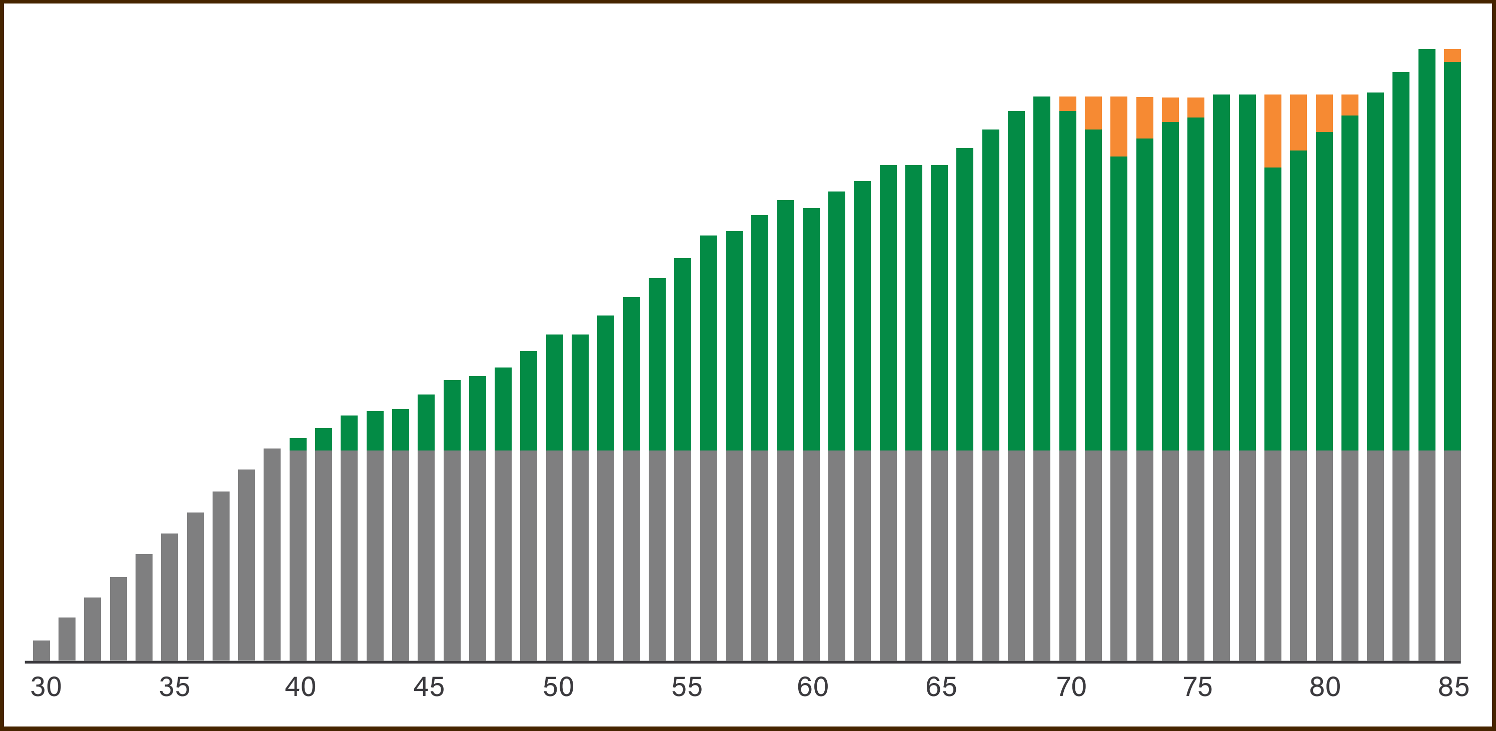
- **Good investment returns increase benefits:** Over time, your benefit is expected to grow and help protect your buying power from the negative effects of inflation – even in retirement (see the green bars in the chart). The Plan will have a 4% "hurdle rate" – each year the Plan earns more than 4%, your sustainable income benefits go up.

  That means during your working years, your benefit grows in two ways: (1) with the additional benefit amount you earn each year, and (2) with returns on the Plan's investments above 4%. Compare that to the traditional benefit that grows only with annual accruals while you're working and then stays level throughout retirement.

- **Protection from market risk:** The flip side is that "underlying" benefits (the green bars in the chart) decrease if the Plan earns less than the hurdle rate. The Plan includes a "rainy-day fund" called a stabilization reserve that can be used to maintain benefit payments when the market takes a downturn (the orange bars in the chart). Without the stabilization reserve, benefits will still be paid – but at the "underlying" benefit level.

- **Sustainable for the long haul:** The benefits are designed to stay funded in all market conditions – ensuring the money will be there to pay benefits despite economic ups and downs.

Moving to the sustainable income benefit will provide the Plan with a smarter design for the future and will allow us to fully fund and protect the traditional benefits that have already been earned (the grey bars in the chart).



How Benefits Adjust

Example: John is a retiree with a sustainable income benefit of $1,000 per month. The Plan has a 4% hurdle rate. If the Plan's investments earn 9% for the year, John's benefit will increase to $1,048.08 per month next year because John's benefit goes up by approximately the difference between the investment return and the hurdle rate. Here's how the benefit adjustment is calculated:

$$\text{Underlying benefit} \quad \text{X} \quad \frac{(1 + \text{investment return})}{(1 + \text{hurdle rate})}$$

$$\$1{,}000 \quad \text{X} \quad \frac{(1 + 0.09)}{(1 + 0.04)} \quad = \quad \$1{,}048.08$$

Each year, John's sustainable income benefit fluctuates with investment returns. That means John's benefit has the potential to grow throughout his lifetime. If investment returns do not reach the Plan's hurdle rate in a particular year, the Plan's stabilization reserve may be used to keep John's benefit from decreasing.

Benefit increases are capped at 6% per year. If investment returns are higher than 10.24%, the benefit increase will be 6% and the excess will be used to help build the stabilization reserve.

Learn **More**

This announcement is only a high-level summary of how the new benefit works. Later this spring, you'll receive more detailed information about how the new benefit works and how it may impact you.

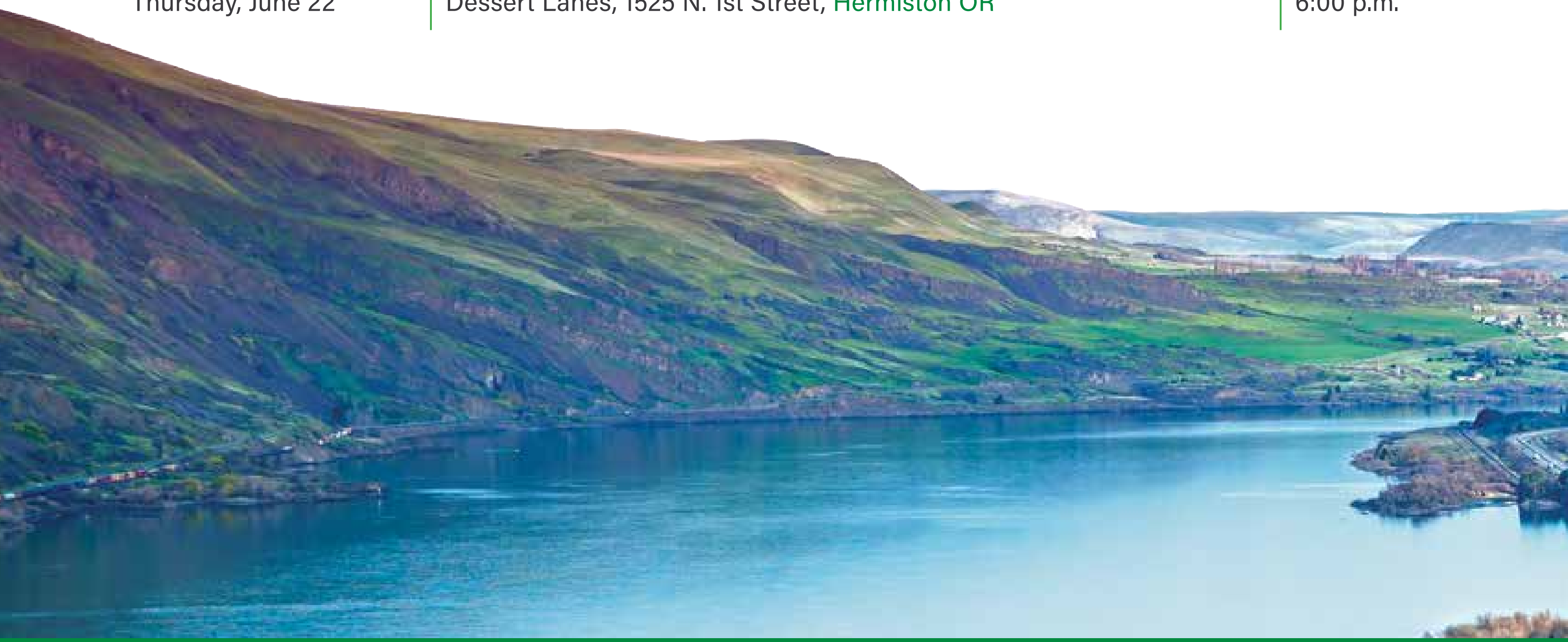
In the meantime:

- Watch a brief video at www.nwcarpenters.org for an overview of what's happening.
- Review the Frequently Asked Questions at www.nwcarpenters.org.
- Contact the Plan Administration Office if you have questions: (503) 460-5247 or (877) 396-2947

Mark Your **Calendar**

Please join us to learn more about the new sustainable income benefit and get your questions answered.

Date	Location	Time
Wednesday, May 10	Red Lion Hotel, 510 Kelso Drive, Kelso WA	5:00 p.m.
Thursday, May 11	Red Lion Hotel, 3301 Market Street NE, Salem OR	6:00 p.m.
Tuesday, May 16	Coney Station Restaurant, 295 South Broadway, Coos Bay OR	6:00 p.m.
Wednesday, May 17	The Point Pub & Grill, 311 East Pine Street, Central Point OR	6:00 p.m.
Thursday, May 18	Old Town Pizza, 722 Main Street, Klamath Falls OR	6:00 p.m.
Saturday, May 20	PNCI Training Center, 4222 NE 158th Avenue, Portland OR	9:00 a.m.
Wednesday, May 24	Spooky's Pizza, 3320 W. 6th Street, The Dalles OR	6:00 p.m.
Thursday, May 25	Wetlands Bar and Grill, 922 Garfield Street, Eugene OR	6:00 p.m.
Thursday, June 8	Round Table Pizza, 810 SW 11th, Redmond OR	5:00 p.m.
Wednesday, June 14	Holiday Inn Express, 375 W. Harvard Blvd., Roseburg OR	6:00 p.m.
Thursday, June 22	Dessert Lanes, 1525 N. 1st Street, Hermiston OR	6:00 p.m.



This notice is only intended as a brief summary of the Plan changes. It does not address the details pertaining to the availability and amount of benefits, eligibility provisions connected with specific benefits, or the rights and obligations of Plan participants.