

# SOUTHWEST REGIONAL COUNCIL OF CARPENTERS/NM

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October 12, 2007

TO: ALL PARTICIPANTS  
ALL ALTERNATE PAYEES and BENEFICIARIES  
ALL PARTICIPATING LOCAL UNIONS  
ALL CONTRIBUTORY EMPLOYERS

The Trustees are announcing two changes in the Plan. The first change will result in benefits being accrued (earned) under this Plan at a reduced rate in the future, while at the same time you will begin to earn benefits under another Plan for your covered employment on and after January 1, 2008. The second change relates to the method used to determine whether the Plan can make a surplus allocation.

These changes only apply on and after January 1, 2008. The value of the benefits you have earned through December 31, 2007 will not be affected. This announcement will describe each of these two changes in detail.

## **1. Redirection of Employer Contributions to the Southwest Carpenters Pension Trust – effective January 1, 2008**

The Collective Bargaining Agreements require that for your covered employment on and after January 1, 2008, the Employer Contributions on your behalf will be made to the Southwest Carpenters Pension Trust, not to the Southwest Regional Council of Carpenters /New Mexico Retirement Trust Fund.

Beginning January 1, 2008, the only Employer contribution that will be made to the New Mexico Trust is a 34-cent per hour contribution. Unlike the contributions that are currently being made to the Cash Balance component of the New Mexico Plan, this contribution is not directly related to benefits that you, as an individual, are earning. Instead, this 34-cent per hour contribution is intended to pay for vested benefits under the New Mexico Plan. New benefit accrual in the Pension portion of the Plan has been frozen since April 1, 1984.

**For work performed on and after January 1, 2008, no contributions will be made to participants' Cash Balance Accounts.**

**Instead, for covered employment on and after January 1, 2008, you will be earning retirement benefits under the Southwest Carpenters Pension Trust. Those benefits will be explained in a separate communication.**



The new Collective Bargaining Agreement provides that for covered employment beginning January 1, 2008, the hourly contribution rate will be \$1.95 (\$1.61 to the Southwest Carpenters Pension Trust, and, as discussed on the preceding page, \$.34 to the New Mexico Retirement Trust).

Effective for work performed on and after July 1, 2007, no contributions will be made into the Retirees' Medical Benefits Account. The Retirees' Medical Benefits Account will continue to pay benefits until the Account is exhausted. It will pay benefits through the Southwest Regional Council of Carpenters Health and Welfare Fund for claims incurred through December 31, 2008, and it will then pay benefits through the Southwest Carpenters Health and Welfare Trust.

## **2. Change in Surplus Allocation Method**

The New Mexico Plan is a single plan that has three different components that pay three different kinds of benefits. For ease of reference these are generally referred to as the Pension Plan, the Cash Balance Plan, and the Retirees' Medical Benefits Plan. See the second paragraph of the Trustees' message on the inside front cover of your New Mexico Summary Plan Description booklet.

Two of these three components – the Pension Plan and the Cash Balance Plan – are considered “defined benefit plans” (although they are two different types of defined benefit plans). The Retirees' Medical Benefits Plan may be disregarded for purposes of this section of this announcement.

Defined benefit plans undergo an annual assessment of their assets and liabilities (including the projected cost of vested benefits that must be paid in the future). This process is called an “actuarial valuation”. January 1 of each year is the “Valuation Date”.

The New Mexico Plan provides that if the actuarial valuation (using criteria specified in the Plan Document) indicates that there are surplus assets, those surplus assets are apportioned between the Pension Plan and the Cash Balance Plan. Then, in annual installments amortized over the period of the next three years, the surplus assets are distributed to eligible retired participants, and credited to the accounts of eligible non-retired participants.

**For Valuation Dates on and after January 1, 2008, the Trustees have amended the Plan to change the prescribed method for determining whether or not an “allocable surplus” exists.**

Under the **current** method (which has been in use from June 1, 1996 through the present), the Plan provides that an “allocable surplus” exists if—as of a given Valuation Date—the actuarial value of the assets of the Fund is greater than the actuarial accrued liability of the Fund (determined without regard to any loading for operating expenses).

For any Valuation Date **on and after January 1, 2008**, an “allocable surplus” will exist if the actuarial value of the assets of the Fund as of that date exceeds 105% of liabilities as of that date, subject to the following additional requirements:

- (1) If the Plan has an unfunded present value of vested benefits for withdrawal liability purposes as of the December 31 immediately preceding a given Valuation Date, then there cannot be an “allocable surplus” as of that Valuation Date; OR
- (2) If the Plan would be classified as being in “endangered status,” “seriously endangered status” or “critical status” in accordance with the funding requirements of the Pension Protection Act of 2006, OR if the conditions of both (1) and (2) are met, then there cannot be an “allocable surplus” as of that Valuation Date.

If there is no “allocable surplus” for a given Valuation Date on or after January 1, 2008, this will have two consequences: first, the Fund will not initiate a new three-year cycle of distributions to eligible retirees and account credits to eligible non-retired participants; and second, the remaining installments, if any, in the amortization of the “allocable surplus” from earlier Valuation Dates shall not be payable. This is only applicable to Valuation Dates on and after January 1, 2008.

Please call or write to the Administrative Office if you have any questions about the determination of the “allocable surplus”, or the procedures for allocating such a surplus between the Pension Plan and the Cash Balance Plan, determining each participant’s respective share of the surplus, amortizing the surplus over three years, and the distribution of the surplus (or, for non-retired participants, the crediting of the surplus).

Sincerely,

BOARD OF TRUSTEES

# SOUTHWEST REGIONAL COUNCIL OF CARPENTERS/NM

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**To: New Mexico Carpenters**

**From: New Mexico Retirement Trust**

**Re: Frequently Asked Questions (FAQs) about Transition to Southwest Carpenters Pension Trust**

*These FAQs reflect our current understanding of the more important aspects of your earning your future pension benefits under the Southwest Carpenters Pension Plan and Trust commencing January 1, 2008. You will receive a complete Summary Plan Description following the transition. The specific benefits are governed by the Southwest Carpenters Pension Plan document and are interpreted by the Southwest Trustees or their authorized representative.*

- **If I am currently receiving a pension from the New Mexico Plan, will it be affected by contributions going to the Southwest Pension Trust effective January 1, 2008?**

*NO. None of these changes will affect your pension unless you return to work.*

- **Did the Pension Plans merge?**

*No. The plans did not merge. Instead, the collective bargaining agreement was modified to redirect employer contributions from the Southwest Regional Council of Carpenters/New Mexico Retirement Plan (New Mexico Retirement Plan) to the Southwest Carpenters Pension Trust (Southwest Plan) effective January 1, 2008.*

- **When will my covered hours of Carpenter employment start to be reported to the Southwest Plan?**

*Hours of employment worked on and after January 1, 2008 will be reported to the Southwest Plan.*

- **Will I become a Participant in the Southwest Plan on January 1, 2008?**

*Generally, yes. For this purpose, your New Mexico hours of covered employment count toward the 500 hours needed to establish participation in the Southwest Plan. Therefore New Mexico Retirement Plan participants who are not retired will generally become Southwest Plan participants immediately on January 1, 2008.*

- **What is the benefit scale under the Southwest Plan?**



*The most recent benefit notice from the Southwest Plan is attached.*

- **What is the minimum requirement to vest in the Southwest Plan?**

*5 years of Vesting Credit with one hour after December 31, 1998. Your New Mexico vesting credit will generally count toward vesting in the Southwest Plan.*

- **What is the earliest a Carpenter can retire with a pension from the Southwest Plan?**

*At any age (if the 30 years of Pension Credit requirement for a Service Pension is met), or at age 55 (if the ten years of Pension Credit requirement for an Early Retirement Pension are met)*

- **What are the rules for Service Pensions in the Southwest Plan?**

*Upon application and retirement, the **Service Pension** is payable at any age (without age reduction) provided the participant has at least 30 years of Pension Credit. The 30-year service requirement may be satisfied with a combination of credit earned under the New Mexico Plan and the Southwest Plan. The amount payable under the Service Pension is not reduced for early retirement age.*

- **What are the rules for Regular Pensions in the Southwest Plan?**

*Upon application and retirement, a **Regular Pension** is payable at age 62 (without age reduction) provided the participant either has 10 years of Vesting Credit, OR has 10 years of Pension Credit and 500 hours of Covered Employment.*

- **What are the rules for Early Retirement Pensions in the Southwest Plan?**

*Upon application and retirement, the **Early Retirement Pension** is payable if the participant has attained age 55 (but not 62) and has 10 years of Pension Credit and 500 hours of Covered Employment. The monthly benefit amount is reduced from the normal pension by .25% for each month by which the retiree is younger than age 62 (3% per year). For example, age 60 = 94%, age 55 = 79%. However, if the participant has attained age 62, there is no age reduction.*

- **What are the eligibility rules for disability retirement?**

*You must be totally disabled and have at least 5 years of Pension Credit without a permanent break in the Southwest Plan, you must not have worked in Noncovered Employment, and you must have earned either:*

- *at least 350 hours in Covered Employment in the 12-month period immediately before your disability, or*

- *at least 3/12ths of a Future Service Credit in each of three calendar years in the period of five consecutive calendar years before the calendar year in which you become disabled.*
- **Will my New Mexico pension credits count toward eligibility for a pension from the Southwest Plan?**

*Yes, the units of credited service you earned before 2008 under the New Mexico Retirement Plan may be combined with the Pension Credit earned under the Southwest Plan to meet the **eligibility** requirements for a pension from the Southwest Plan. However, the **amount** of your pension from Southwest Plan is based solely on your covered employment after 2007 under the Southwest Plan.*

- **How can your New Mexico pension credits count toward eligibility for a Partial Service Pension from the Southwest Plan?**

*The Southwest Plan will also count your New Mexico pension credits towards **eligibility** for a Partial Service Pension. This will allow you to receive an unreduced pension at any age as long as you have a combined 30 years of Pension Credit between the New Mexico and Southwest Plans. Your Partial Service Pension that is accrued under the New Mexico Retirement Plan, will be paid by that Plan and the portion accrued as a participant of Southwest Plan will be paid by Southwest Plan.*

- **What happens to my Cash Balance account in the New Mexico Retirement Plan on and after January 1, 2008?**

*The balance in your Individual Account in the Cash Balance component of the New Mexico Retirement Plan will continue to be maintained by the New Mexico Plan and will continue to be credited with the adjustment factor (earnings) and surplus allocation (excess). However, no new contributions will be made to your Individual Account for work performed on and after January 1, 2008.*

- **What happens to my account balance under the Southwest Regional Council of Carpenters/New Mexico Plan A (Plan A) on and after January 1, 2008?**

*Although the Trustees intend to terminate Plan A, your account balance in Plan A is protected. Beginning January 1, 2008, the Bargaining Agreements will no longer require the Employers to contribute to Plan A on your behalf. In mid-2008, the Trustees will offer each Plan A participant a choice of the following three options:*

- (1) *You may roll over your annuity account into an IRA or other qualified plan.*
- (2) *You may receive your annuity account in the form of a single lump sum distribution (which would be subject to mandatory 20% withholding for Federal*

*income tax, and which may also be subject to a 10% tax penalty if you are younger than age 59-1/2 and you are not retiring—consult your tax advisor.)*

*(3) If your account balance is greater than \$5,000, you may direct the Plan to use your account balance to purchase a life annuity (if you are unmarried or with the consent of your spouse) or a qualified joint and survivor annuity (if you are married or, if unmarried or with your spouse's consent, with a non-spouse beneficiary) from a legal reserve life insurance company; or*

*(4) If your account balance is greater than \$5,000, you may direct the Plan to use your account balance to purchase installment payments to be paid over a fixed period of 5 to 10 years. Installment payments paid for a period of 5 to 9 years would be subject to mandatory 20% withholding for Federal income tax, but installment payments for a period of 10 years would not be subject to mandatory 20% withholding. Whatever the payout period, the installment payments may also be subject to a 10% tax penalty if you are younger than age 59-1/2 and you are not retiring—consult your tax advisor.*

*Although Employer contributions to your annuity account will not be made for work performed after December 31, 2007, your account will continue to be valued, each calendar quarter, to reflect investment gain or loss, expense charges, and other account activity until your annuity account is distributed under one of the four options described above.*

- **Whom should you contact for more information about the Southwest Plan?**

*If you have questions, contact the Carpenters Southwest Administrative Corporation at 800-293-1370.*

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