OPERATING ENGINEERS TRUST FUNDS

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NOTICE OF CHANGE IN PLAN BENEFITS IN THE PENSION TRUST FUND FOR OPERATING ENGINEERS

DATE: June 11, 2008

TO: Participants, alternate payees, and participating employers of the Pension Trust Fund for Operating Engineers Pension Plan

FROM: The Board of Trustees

SUBJECT: Notice of Changes in Plan Benefits

As the result of a comprehensive study to assess the impact of new Federal pension legislation, the Pension Plan Trustees approved a number of important changes to your Pension Plan. At recent district meetings and through direct communications, these changes have been explained to you. This notice provides a more detailed explanation of the changes effective July 1, 2008, as summarized below:

- Accrual of pension benefits changed for service on and after July 1, 2008
- Husband-and-Wife Pension modified
- $125 supplement phased out for future retirees
- Early Retirement Pension reductions changed (no change to unreduced Service Pensions)
- Disability Pension changed for disabilities occurring on or after July 1, 2008
- New Delayed Retirement Incentive Program (if eligible for Service Pension)

- New rules for how working as a supervisor affects the payment of Early Retirement Pensions

Please note that none of the changes described above will affect benefits currently being paid to retirees. Further, these changes affect only benefits earned on or after July 1, 2008; benefits earned before July 1, 2008 are not affected.[1]

1. Accrual of Pension Benefits

Provided below is a brief explanation of how you currently accrue retirement benefits followed by a description of how you will begin accruing retirement benefits beginning July 1, 2008. Please note that any benefits you earned or will earn through June 30, 2008 will not change.

Your Benefit Formula Prior to July 1, 2008

Prior to July 1, 2008, your accrued benefit payable at your normal retirement date (which is generally the first day of the month on or after your attainment of age 65) or your age 62 retirement date (which is generally the first day of the month on or after you reach age 62 after 10 years of service including two quarters of Credited Future Service), and payable in the form of a 60-Month Guarantee Option, is equal to the sum of (a) and (b):

(a) Your monthly benefit earned prior to July 1, 2006

(b) Your monthly benefit earned on or after July 1, 2006

The formula for benefits earned prior to July 1, 2006 is not affected by the changes.

Your monthly benefit earned on or after July 1, 2006 depends on the hourly contribution rate for your bargaining unit and equals pre-Pension Restoration contributions multiplied by either 3.00%, 1.75%, or 1.15%, as selected by your unit.

Your Benefit Formula for Service on and after July 1, 2008

Effective July 1, 2008, your accrued benefit as of your normal retirement date and payable in the form of a 60-Month Guarantee Option will equal the benefit you accrued prior to July 1, 2008 (as

[1] Disability benefits *are* affected differently – see Page 6.

described above), plus for each year of Credited Future Service on or after July 1, 2008, a monthly benefit equal to the *total* employer contributions made on your behalf for the year, multiplied by 1.25%.

After June 30, 2008 we will no longer have the three-tier Pension Restoration system – all participants will earn benefits under the same formula and all contributions will earn benefits.

Because Pension Restoration contributions have not earned benefits, a benefit of 3.0% of *pre*-Pension Restoration contributions is the same as a benefit of 1.71% of *all* contributions. So, the benefit formula change is actually only from 1.71% of all contributions to 1.25% of all contributions on an "apples to apples" basis. This is a reduction in the factor of 0.46% of contributions.

Similarly, a benefit of 1.75% of pre-Pension Restoration contributions is the same as a benefit of 1.40% of *all* contributions. So, this benefit change is actually only from 1.40% of all contributions to 1.25% of all contributions on an "apples to apples" basis. This is a reduction factor of 0.15% of contributions.

Examples of How This Change Will Affect Your Benefit Accrual:

The expected reduction in future benefit accruals resulting from the change in the benefit formula will vary for each affected participant. Below are examples of potential reductions in future benefit accruals of affected participants due to the change in the benefit formula. Each example below assumes that you work 2,000 hours per year.

Let's say your employer's contribution rate is $7.00 per hour as of July 1, 2008 and your old benefit rate was 3% of pre-Pension Restoration contributions:

Benefit Formula:
Hours Worked x Hourly Contribution x Benefit Percent = Monthly Benefit Earned

Current Plan:	2000 Hours x $4.00 per hour x 3% = $240, which is the same as 2000 Hours x $7.00 per hour x 1.71% = $240, for *all* contributions
New Plan:	2000 Hours x $7.00 per hour x 1.25% = $175

Let's say your employer's contribution rate is $5.00 per hour as of July 1, 2008 and your old benefit rate was 1.75%:

Current Plan:	2000 Hours x $4.00 per hour x 1.75% = $140, which is the same as 2000 Hours x $5.00 per hour x 1.40% = $140, for *all* contributions
New Plan:	2000 Hours x $5.00 per hour x 1.25% = $125

2. Husband-and-Wife Pension Modified

Under the current Plan, your monthly retirement benefit is adjusted if you elect to receive your benefit in the Husband-and-Wife Pension form of payment. The adjustment reflects the fact that benefits are expected to be paid over a longer period when they are paid over two lifetimes. For benefits earned on or after July 1, 2008, the amount of the Husband-and-Wife Pension adjustment will be changed.

Your Husband-and-Wife Adjustment before July 1, 2008

Prior to July 1, 2008, your accrued benefit determined by the benefit formula is reduced to 97% of that amount if you elect to receive your benefit in the Husband-and-Wife Pension and you and your spouse are the same age. The 97% adjustment is increased or decreased by 1/30 of one percent for each month that your spouse is older or younger than you.

This adjustment will continue to apply to the benefit you earned before July 1, 2008, even if you retire on or after July 1, 2008.

Your Husband-and-Wife Adjustment on or After July 1, 2008

For benefits accrued on or after July 1, 2008, the Husband-and-Wife adjustment will be changed from 97% to 92.5%. The same 1/30 of one percent adjustment will continue to apply if you and your spouse are not the same age. The new 92.5% adjustment has been determined so that the expected benefit paymeuts over your and your spouse's lifetime will be approximately the same as if you had not elected the Husband-and-Wife Annuity.

Examples:

Let's say your monthly benefit earned after July 1, 2008 is $1,000 and your spouse is 12 months younger than you.

Current Plan:	Husband-and-Wife Adjustment = 97.0% - [12 months x 1/30%] = 96.6% Husband-and-Wife Pension = 96.6% x $1,000 = $966
New Plan:	Husband-and-Wife Adjustment = 92.5% - [12 months x 1/30%] = 92.1% Husband-and-Wife Pension = 92.1% x $1,000 = $921

3. $125 Supplement Phased Out for Future Retirees

Starting July 1, 2008, the $125 monthly supplemental benefit will be phased out. For each dollar of monthly pension benefit that you earn on or after July 1, 2008 the $125 monthly supplement will be reduced by one dollar.

Examples:

Let's say your employer's contribution rate is $7.00 per hour:

Monthly benefit as of July 1, 2008 = $500
Supplemental benefit as of July 1, 2008 = $125
Total monthly benefit = 500 + 125 = $625

Assume you work 500 hours after July 1, 2008:

Benefit earned after July 1, 2008 = $7.00 x 500 x 1.25% = $43.75
Supplemental benefit as of retirement = $125 - $43.75 = $81.25
Current plan monthly benefit = $500 + $43.75 + $125 = $668.75
New monthly benefit = $500 + $43.75 + $81.25 = $625

Assume you work 2000 hours after July 1, 2008:

Benefit earned after July 1, 2008 = $7.00 x 2000 x 1.25% = $175
Supplemental benefit as of retirement = $125 - $175 = $0 (cannot be less than $0)
Current plan monthly benefit = $500 + $175 + $125 = $800
New monthly benefit = $500 + $175 + $0 = $675

How quickly the $125 supplemental benefit completely phases out depends on your contribution rate. For example, if your contribution rate is $7.00 per hour, the supplemental benefit will phase out completely after you have worked 1,429 hours; if your contribution rate is $4.00 per hour, the supplement will phase out completely after 2,500 hours.

4. Early Retirement Pension Reductions Changed

Under the current Plan, if you are not eligible for an unreduced Service Pension, benefits are reduced for retirement below age 62. For benefits earned on or after July 1, 2008, the new early retirement benefit reduction will apply to benefits beginning below age 65 (instead of age 62), and the reduction will be larger than under the current Plan. *Benefits earned before July 1, 2008 will not be affected by the Plan change.*

Your Early Retirement Factors Prior to July 1, 2008

Prior to July 1, 2008, a participant with ten credits who is at least age 55, and retires before age 62 will receive a reduction of 3% per year from age 62 to age 60 and 6% per year from age 60 to age 55. ***All benefits earned up to July 1, 2008 will continue to be calculated using this rate.***

Your Early Retirement Factors on or After July 1, 2008

Effective July 1, 2008, a participant with ten credits who is at least age 55, and retires before age 65 will receive a reduction of 9% per year from age 65 to age 62, 6% per year from age 62 to age 58, and 4% per year from age 58 to age 55. ***All benefits earned on or after July 1, 2008 will be calculated at this rate.***

The new Early Retirement reduction rates have been determined so that the expected Early Retirement Pension payments over your lifetime are approximately the same as the expected pension payments if you wait and begin your pension benefits at age 65.

This change in the Early Retirement Pension reductions has no effect on an unreduced Service Pension.

Examples:

Let's say your *unadjusted monthly benefit* earned after July 1, 2008 is $500 and you have more thau 10 credits:

	Current Plan	**New Plan**
Age 65 Monthly Benefit	$500	$500
Age 62 Reduction	0%	27%
Reduction Amount	$0	$(135)
Age 62 Monthly Benefit	$500	$365
Age 55 Reduction	36%	63%
Reduction Amount	$(180)	$(315)
Age 55 Monthly Benefit	$320	$185

5. Change in the Disability Pension Benefit

Under the current Plan, if you satisfy the requirements for a Disability Pension at age 50 or older, your Disability Pension is determined the same way as an Early Retirement Pension, but cannot be less than 90% of your accrued benefit. For disabilities occurring on or after July 1, 2008, the 90% minimum benefit will be changed to 70%.

Examples:

Let's say you become disabled at age 55 with 15 years of Credited Service and your accrued monthly benefit, payable at Normal Retirement Age (65) is $3,000, of which $2,000 was earned before July 1, 2008 and $1,000 is earned after July 1, 2008:

Current Plan: Your Disability Pension is equal to your Early Retirement Pension, but not less than 90% of your accrued benefit:

Early Retirement Pension:

Accrued Benefit:	$3,000
Reduction = 36%:	$(1,080)
Early Retirement Pension:	**$ 1,920**

90% x $3,000 = **$2,700**

Disability Pension = **$2,700** (the greater of $1,920 or $2,700)

New Plan: Your Disability Pension is equal to your Early Retirement Pension, but not less than 70% of your accrued benefit:

Early Retirement Pension:

Earned before 7/1/08:	$2,000
Reduction = 36%:	$(720)
Early Retirement Pension:	**$1,280** earned before 7/1/08
Earned after 7/1/08:	$1,000
Reduction = 63%:	$(630)
Early Retirement Pension:	**$ 370** earned after 7/1/08

Total Early Retirement Pension: **$1,650**

70% x $3,000 = **$2,100**

Disability Pension = **$2,100** (the greater of $1,650 or $2,100)

Let's say you become disabled at age 61 with 15 years of Credited Service with a $3,000 accrued benefit, and assume that only $1,000 was earned before July 1, 2008 and $2,000 is earned after July 1, 2008:

Current Plan: Your Disability Pension is equal to your Early Retirement Pension, but not less than 90% of your accrued benefit:

Early Retirement Pension:

Accrued Benefit:	$3,000
Reduction = 3%:	$ (90)
Early Retirement Pension:	**$2,910**

90% x $3,000 = **$2,700**

Disability Pension = **$2,910** (the greater of $2,910 or $2,700)

New Plan: Your Disability Pension is equal to your Early Retirement Pension, but not less than 70% of your accrued benefit:

Early Retirement Pension:

Earned before 7/1/08:	$1,000
Reduction = 3%:	$ (30)
Early Retirement Pension:	**$ 970** earned before 7/1/08
Earned after 7/1/08:	$2,000
Reduction = 33%:	$(660)
Early Retirement Pension:	**$ 1,340** earned after 7/1/08

Total Early Retirement Pension: **$2,310**

70% x $3,000 = **$2,100**

Disability Pension = **$2,310** (the greater of $2,310 or $2,100)

Note: Of all the Plan changes described in this notice, this is the only change that can affect benefits earned before July 1, 2008. For all of the other Plan changes, benefits earned before July 1, 2008 cannot be reduced.

6. New Delayed Retirement Incentive Program (if eligible for Service Pension)

Effective July 1, 2008, an additional monthly benefit (the "Delayed Retirement Incentive") will be available to participants who continue working after becoming eligible for an unreduced Service Pension[2].

Amount of Benefit: The total amount of the Delayed Retirement Incentive (or "DRI") will equal a percentage, as adjusted below, of your annual benefit earned through the date you become eligible for an unreduced Service Pension (or July 1, 2008, if you are already eligible for a Service Pension), according to the following table:

Year Worked After Service Pension Eligibility Date	DRI Percentage Earned Each Year	Total DRI Percentage Earned
1st Year	10%	10%
2nd Year	15%	25%
3rd Year	25%	50%
4th Year	25%	75%
5th Year	25%	100%
Each Additional Year	20% per year	+ 20% per year

The percentage you earn in any year depends on how many Credited Months you work during that year. A "Credited Month" is a month in which you work at least 30 hours (or have contributions made on at least 30 hours). If yon work 12 Credited Months, you will earn the full percentage indicated above. If you work at least 350 hours but less than 12 Credited Months in a year, the percentage you would earn for that year is multiplied by the number of Credited Months in the year divided by 12.

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[2] For the purpose of determining the Delayed Retirement Incentive, the "Service Pension Eligibility Date" will be the later of the actual Service Pension Eligibility Date or July 1, 2008.

If you work less than 350 hours in a year, the percentage earned for that year is 0%. If you defer your retirement for less than 12 full months, then the percentage earned is 0%. The example below demonstrates how this calculation works.

Although it is the Trustees' intent to continue this benefit, it should be noted that the Delayed Retirement Incentive is not part of your accrued benefit under the Plan, and the Plan may reduce or eliminate the Delayed Retirement Incentive in the future.

Amount and Number of Monthly Payments: In general, the number of months you will receive a Delayed Retirement Incentive benefit will equal the number of months you defer retirement past your Service Pension Eligibility Date. For example, if you defer retirement and continue working for 36 months beyond your Service Pension Eligibility Date, the total DRI benefit is divided by 36 and is payable for 36 months. However, payment of the monthly DRI benefit will stop upon your death or upon the date you become eligible for unreduced Social Security benefits (the age listed below). Please keep in mind that although your monthly DRI benefit will generally increase with each month that you work past your Service Pension Eligibility Date, your total DRI Benefit (the total of all monthly DRI payments) will begin to decrease at a certain point because you will receive your monthly DRI benefit over a fewer number of months as you approach your unreduced Social Security retirement age.

Unreduced Social Security Retirement Ages

The following chart shows the ages for unreduced Social Security benefits based on year of birth:

Year of Birth	Age for Unreduced Social Security Benefit
1937 or earlier	65 yrs.
1938	65 yrs. 2 months
1939	65 yrs. 4 months
1940	65 yrs. 6 months
1941	65 yrs. 8 months
1942	65 yrs. 10 months
1943 – 1954	66 yrs.
1955	66 yrs. 2 months
1956	66 yrs. 4 months
1957	66 yrs. 6 months
1958	66 yrs. 8 months
1959	66 yrs. 10 months
1960 or later	67 yrs.

Optional Lump Sum Payment. If you earn a DRI benefit, you may choose to receive the DRI Benefit in the form of a lump sum payment equal to the present value of your monthly DRI benefits.

Examples:

Let's say you are age 60 as of July 1, 2008, you are eligible for an unreduced Service Pension on that date, and your annual benefit as of that date is $40,000. You continue to work steadily[3] until you retire on March 1, 2011, for a total of 32 months worked after your Service Pension Eligibility Date. Under the formula stated on page 9, you would have earned 41.67% of your accrued benefit as a DRI benefit.

This percentage is calculated by adding:

- 10% for 7/1/2008 to 7/1/2009; you earn the full percentage for the year because you worked 12 Credited Months and deferred retirement for all 12 months during the year, plus
- 15% for 7/1/2009 to 7/1/2010; you earn the full percentage for the year because you worked 12 Credited Months and deferred retirement for all 12 months during the year, plus
- 16.67% for 7/1/2010 to 3/1/2011; you earn the full percentage for the year (25%) multiplied by 8/12 (Credited Months ÷ 12).

So, your total DRI benefit is 41.67% of $40,000, or $16,668.

To determine the amount of the monthly DRI benefit, you divide 41.67% of your annual accrued benefit (41.67% x $40,000 = $16,668) by the number of months you deferred retirement (32) for a monthly DRI benefit equal to $520.88. If you elect to receive the DRI benefit in the form of monthly payments, the total of all the monthly payments (32) would equal $16,668 (assuming you do not die before receiving all payments). Based on the actuarial factors used by the Plan, the lump sum value of this benefit would be $15,513 as of March 1, 2011.

However, as described above, the total value of your DRI benefit can decrease if you work past a certain point. Continuing the example above, if you work until January 1, 2013, you will have earned 87.5% of your annual accrued benefit as a DRI benefit.

3 At least 30 hours per month and at least 350 hours per year.

This percentage is calculated by adding:

- 10% for 7/1/2008 to 7/1/2009, plus
- 15% for 7/1/2009 to 7/1/2010, plus
- 25% for 7/1/2010 to 7/1/2011, plus
- 25% for 7/1/2011 to 7/1/2012, plus
- 12.5% for 7/1/2012 to 1/1/2013; (the full percentage for the year (25%) multiplied by 6/12 (Credited Months ÷ 12).

To determine the amount of the monthly DRI payment, you divide 87.5% of your annual accrued benefit (87.5% x \$40,000 = \$35,000) by the number of months you deferred retirement (54) for a monthly benefit equal to \$648.15. While your deferral period is 54 months, the number of months you would receive your DRI benefit before you attain age 66 and become eligible to receive unreduced Social Security benefits is only 18 months (because you reach age 66 on January 1, 2010, you would not receive a payment for January, 2010). As a result, even though the monthly benefit is greater in this example, the total amount you will receive, \$11,666.70 (\$648.15 x 18), is less because you have fewer months until your unreduced Social Security date. Likewise the lump sum, \$11,202, will be less as well.

7. New Rules for Suspension of Early Retirement Pensions

For benefits accrued on or after July 1, 2008, the type of work you can engage in before your Normal Retirement Age without having your pension suspended will differ depending on whether you have been retired for at least one year. Thus, in your first year of early retirement you will not be able to work in a supervisory capacity in any way related to the skills you used when contributions were being made to the Plan on your behalf and still receive your pension check.

As an example, under current plan provisions, certain former operators who became safety officers for their employer may receive both a pension check and a salary as a safety officer. Under the new rules, any benefits earned after July 1, 2008 will not be paid to such a person during the first 12 months after his retirement before his Normal Retirement Age.

Conclusion

The following points are important to remember:

- Benefits already earned cannot be reduced.
- These benefit changes are intended to provide a long-term solution to the Plan's financial challenges.
- The new Delayed Retirement Incentive provides an additional financial incentive to continue working.
- These Plan changes were designed with an investment "cushion" to avoid further benefit changes if unfavorable investment results persist.
- When our Pension Plan investment expectations are realized, future Plan benefit improvements are possible.

This notice describes only those changes being adopted by the Plan effective as of July 1, 2008. All other provisions, conditions and limitations not specifically mentioned in the notice remain in full force and effect. In addition, the Plan changes described above have been summarized in everyday language to make them easy to read and clear to understand. However, in the event of any conflict between this description and the Pension Plan document, the Pension Plan document will govern.

We believe that making these changes enhances the Pension Trust Fund for Operating Engineers Pension Plan's ability to provide vital retirement benefits to its participants for the future.

Questions

This notice is intended to satisfy the requirements of section 204(h) of the Employee Retirement Income Security Act of 1974, as amended and section 4980F of the Internal Revenue Code of 1986, as amended. This notice is intended only as a summary, and the actual Plan documents will govern your rights. If you have any questions regarding this notice or your benefits under the Fund, please contact:

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