

SUMMARY OF MATERIAL MODIFICATION SASMI ACTIVE & RETIREE PLANS OF BENEFITS

*This notice contains important information concerning SASMI.
it should be read and retained for future reference.*

If you are considering retirement in 2023, please pay special attention to the section on how HCRA is calculated

May 2023

The following summary of changes is intended to be consistent with the actual language of the Rules and Regulations. In the event there is a conflict between this SMM, the SPD, and the actual language of the Rules and Regulations, the Rules and Regulations shall always control. Please note the Rules and Regulations for both the Active and Retiree Plans were both restated as of January 1, 2020, these documents are available on the SASMI website, www.sasmi.org. A hard copy of the Rules and Regulations for either Plan, is available by writing the Fund Office at the address below. Also, participants may always inspect the Rules and Regulations or SPDs at the Fund Office. Not all Plan changes affect all Participants. The effect of Plan changes on Participants, if any, varies depending upon personal circumstances.

ACTIVE PLAN Change in 200% Rule

The Trustees recognize that the value of medical premium and supplemental unemployment and underemployment benefits has increased over time and that a Member can reach the existing \$100,000 cap for the 200% rule quickly. Accordingly, beginning with benefits received in the 2023 A Stabilization Period a Member is eligible to receive benefits up to 200% of contributions up to \$125,000 in benefits. After receiving \$125,000 in benefits a participant is limited to benefits equal to 100% of contributions. This limit does not apply to non-deduct benefits including the Work Boot benefit, the Physical Exam Benefit, and the temporary revised Travel Benefit.

RETIREE PLAN HCRA Interest Credits

When the HCRA Benefit began it was projected that members would spend down their accounts over a period of 5 years or less. However, as accounts have grown, it is now projected that members in 2026 will spend down their accounts over a ten-year period.

Therefore, effective July 1, 2023, the Trustees have decided that the HCRA account balances should earn interest at an annual rate of 3%. It is the Trustees' intention that this 3% interest credit will be applied every July 1, however, they retain the discretion to increase the interest, decrease the interest in any given year and to end the interest at any time.

The interest credit will be calculated and applied as follows:

- the Interest Credit will be applied to HCRA accounts with balances of \$60 or more on June 30;
- the Interest Credit will be equal to 3% of the average HCRA account balance based on the balance on the first of each of the preceding 12 months (the prior July 1 to June 1);
- interest credits shall be applied to accounts beginning the year after the year in which individuals establish their account, for example, an account established in 2022 will first be eligible for interest credits in 2023; and
- an HCRA account that was depleted prior to application of interest credit shall not receive any interest credit.

CHANGE IN HOW RETIREE HCRA IS CALCULATED

Currently, the calculation of both your Severance and HCRA at retirement takes into account the contributions paid over your career by your Employers, the unemployment/underemployment, Welfare and other benefits you have taken as an Active participant, and your years of service. The existing calculation multiplied the contributions that were paid by a percentage based on your years of Future Service Credit and Past Service Credit. This percentage could be as low as 20% or as high as 150%. From this calculated contribution value 100% of benefits taken is subtracted to determine Severance and HCRA.

By law, the calculation of the Severance cannot be changed but the HCRA calculation can be changed. After reviewing the matter, the Trustees have determined that for all eligible participants the calculation of an eligible participant's HCRA should be based on no less than 100% of the contributions received from the participant's employers.

Starting with calculations for retirements January 1, 2024, a participant's initial HCRA account will be calculated as follows:

1. Years of Future Service Credit will be determined
2. The number of Years will be multiplied by 1.67 (0.835/Stabilization period) to get the additional multiplier % – which will be capped at 50% (30 years). For example
 - 10 years of future service credit will be an additional multiplier of 16.7%
 - 20.5 years of future service credit will be an additional multiplier of 34.235%
 - 35 years of future service credit will be an additional multiplier of 50%
3. The additional multiplier % will be added to the starting 100% of contributions to get the final multiplier. For example,
 - 10 years FSC multiplier of 16.7% → final multiplier of 116.7%
 - 20.5 years FSC multiplier of 34.235% → final multiplier of 134.235%
 - 35 years FSC multiplier of 50% → final multiplier of 150%

4. The total contributions (minus contributions to HCRA Plan B) will then be multiplied by the final multiplier.
5. From this calculated contribution amount will be subtracted all Active Benefits paid (excluding non-deduct benefits).

Information on how the current benefit is calculated and how it will be calculated can be found on the member portal on the SASMI website, www.sasmi.org.

The current Trustees are:

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