Notice of Reduction in Adjustable Benefits for Participants Working Under Schedule B of the Rehabilitation Plan

INTRODUCTION

The purpose of this Notice is to describe reductions in adjustable benefits for participants who are working under Schedule B of the Rehabilitation Plan.

As you know from previous correspondence, the Pension Fund for Hospital and Health Care Employees – Philadelphia and Vicinity (the "Pension Fund") has been deemed in "critical status" since the 2010 Plan Year for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the federal law that governs pensions. Under ERISA, the Board of Trustees of the Pension Fund was required to adopt a Rehabilitation Plan. The Rehabilitation Plan has three schedules, Schedule A, Schedule B and the Default Schedule. The Pension Fund is sending you this notice because your Local Union and Employer, who contribute to the Pension Fund under a collective bargaining agreement or other agreement on your behalf, have adopted Schedule B, effective January 1, 2013.

Elimination of Future Permanent Disability Benefits: If you are an active participant currently employed by an employer that contributes to the Pension Fund and become disabled on or after January 1, 2013, you will not be able to receive a disability benefit pension. This change does not affect retirees currently receiving disability benefits from the Pension Fund or participants whose disability onset date is before January 1, 2013. If you became disabled on December 30, 2012, and would otherwise qualify for a disability benefit, you would still be able to receive a disability benefit pension. If you became disabled on January 1, 2013, and would otherwise qualify for a disability benefit, you would not be able to receive a disability benefit because the benefit was eliminated as of January 1, 2013. Accordingly, if you incur a disability on or after January 1, 2013, you would need to wait until you were eligible for regular retirement before you could start to collect benefits

Wear-away of Early Retirement Subsidies: ***This change only applies to you if you are eligible to retire when you leave covered service (if you "retire from covered service").*** The retirement age for full, unreduced pension will be age 65 regardless of whether you retire from covered service. Employees may continue to retire from covered service at age 62 and will receive no less than the pension entitlement as of December 31, 2012. A participant's pension benefits shall be no less than the participant's entitlement as of January 1, 2013. **This provision does not affect retirees.**

Currently, if you retire from covered service, your benefits are reduced for retirement prior to age 62. If you retire from covered service on or after January 1, 2013 and before your age 65 Normal Retirement Date, your pension will be the larger of the following two amounts:

(a) The pension that you had accrued as of December 31, 2012, reduced by ½% for each month that your retirement date precedes age 62; and
(b) The pension that you had accrued as of your actual retirement date, reduced by ½% for each month that your retirement date precedes age 65.

This guarantees that, if you retire from covered service, your benefit at early retirement on or after January 1, 2013 will be no less than it would have been if you had retired prior to January 1, 2013.

Example No. 1 – You are age 62 years old and will retire effective January 1, 2013. You will receive a full pension with no reduction for early retirement.

Example No. 2 – You are age 60 years old as of January 1, 2013 and intend to retire from covered service at age 62. You will still be able to retire at 62 years old and you will not receive a pension less than the amount accrued as of December 31, 2012, reduced from age 62 years old. In fact, you will receive the greater of the amount accrued as of December 31, 2012 with no reduction (since you are retiring at age 62) or the total amount that you accrued as of your age 62 retirement, reduced by ½% for each month that your retirement date precedes age 65.

Example No. 3 – You are age 55 years old and intend to retire from covered service by December 31, 2012. You will receive your retirement pension reduced by ½% for each month that you begin receiving your pension prior to the age of 62 years old.

Example No. 4 – You are age 53 years old and intend to retire from covered service at age 56. You will receive the greater of the amount accrued as of December 31, 2012, reduced by ½% for each month that you begin receiving your pension prior to the age of 62 years old or the total amount accrued as of your date of retirement, reduced by ½% for each month that you begin receiving your pension prior to age 65 years old.

Change in Future Accrual. Effective January 1, 2013, there will be a change in future accruals to a rate of 2.0% of pay, representing an approximately 13% reduction from the current Pension Fund rate of 2.3% of pay. Below are the annual changes in future accrual.

Effective January 1	Accrual Rate
2012	2.30%
2013	2.00%
2014	0.00%
2015	0.00%
2016	0.50%
2017	0.50%
2018	1.00%
2019	1.00%
2020	1.50%
2021	1.50%
2022 and later	2.00%

QUESTIONS

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

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