

Minneapolis Retail Meat Cutters and Food Handlers Pension Fund



Highlights of the Variable Annuity Pension Plan (VAPP)

January 2019



What is the VAPP?

The Variable Annuity Pension Plan (VAPP) is a defined benefit pension plan. It pays a monthly benefit for life. "Defined benefit" means you earn a benefit each year based on a set formula, just like a traditional defined benefit pension plan. However, unlike a traditional defined benefit pension plan, the value of your benefit may increase or decrease (within certain limits) each year. The change depends on the Plan's investment return rate compared to the Plan's "hurdle rate," which is explained on the next page.

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Visit 663benefits.com to watch "A Quick Look at the MRMC Variable Annuity Pension Plan (VAPP)." 90 seconds is all it'll take!





How is my monthly VAPP benefit determined?

Your monthly VAPP benefit is based on the annual benefit accrual you earn, and the benefit adjustment for the Plan's investment earnings. Your annual benefit accrual is set by your Collective Bargaining Agreement (CBA) and is as follows:

→ **If you're covered under the CBA for Corporate Cub employees**, you'll earn the following amounts for each full Plan Year of service:

- \$26.25 for 2019
- \$28.75 for 2020
- \$32.50 for 2021
- \$35.00 for 2022 and future plan years.

→ **If you're covered under the CBA for independent employers**, check your CBA for your accrual rate.

You earn a full year of Benefit Accrual Service for each Plan Year (that is, the calendar year) in which you're credited with at least 2,000 hours of service. If you work at least 1,000 hours but less than 2,000 hours, your Benefit Accrual Service for the year will be pro-rated based on 2,000 hours.

Each year, the total benefit you have earned (that is, your "accumulated benefit") will be adjusted for the rate of return earned on the Plan's investments compared to the Plan's Hurdle Rate of 5.5%. If the investment return is greater than the Hurdle Rate, your benefit will increase. If the investment return is less than the Hurdle Rate, your benefit will decrease. Benefit increases are capped at 3.0% per Plan Year.

The annual adjustment is determined as follows:

$$(1 + \text{the Plan's investment return}) \div (1 + \text{the Hurdle Rate})$$

For example, if the investment return on the Plan's assets was 7.8% for the year, the annual adjustment would be 1.0218:

$$(1 + 7.8\% = 1.078) \div (1 + 5.5\% = 1.055) \\ = 1.0218 (1.078 \div 1.055)\text{—an increase of 2.18\%}$$



Can you give me an example of how the VAPP benefit will be calculated?

Yes. Here's a relatively simple example:

- You work for an employer with a \$20.00 annual accrual rate.
- You earn a full year of Benefit Accrual Service each year (that is, you worked at least 2,000 hours each year), making your annual benefit accrual \$20.00.
- The Plan's investment returns for the next three years are 7.8%, 3.2% and 10.0%, respectively.

Your benefit determined at the end of each year would be calculated as follows:

Year	Annual Benefit Accrual	Investment Return Rate	Annual Benefit Adjustment	Accumulated Benefit at Year-End
1	\$20.00	7.8%	$1.078 \div 1.055 = 1.0218$	\$20.44
2	\$20.00	3.2%	$1.032 \div 1.055 = 0.9782$	\$39.56
3	\$20.00	10.0%	$1.100 \div 1.055 = 1.04265$ (capped at 3.0%, or 1.0300)	\$61.35

Your accumulated benefit at the end of each year is calculated as follows:

Your accumulated benefit at the end of the prior year

+

Your annual benefit accrual

X

The annual benefit adjustment

So, in the example above, at the end of year two, your benefit will be the benefit earned at the end of year one (\$20.44) plus your new annual benefit accrual in year two (\$20.00) all multiplied by the year-two Annual Benefit Adjustment (0.9782). This produces a benefit at the end of year two of \$39.56 $(\$20.44 + \$20.00) \times 0.9782$.

In the first year, your prior year accumulated benefit is zero. So, the annual benefit adjustment would only apply to your annual benefit accrual. **NOTE:** In year three of the example, the annual adjustment factor was limited to 1.030, which is 3.0%.

? Does the VAPP protect me against benefit decreases?

Benefit decreases can occur under the VAPP. However, the Plan provides benefit decrease protection through the “Stabilization Reserve.” The Stabilization Reserve is money the Plan has on hand that is above the amount the Plan needs to pay benefits. The Reserve is funded initially by employer contributions. It is also funded when the Plan’s investment returns are above the 3.0% cap. In years when the annual investment return rate is **less than** the 5.5% Hurdle Rate, the Stabilization Reserve can be used to offset some or all of the benefit decrease. **NOTE:** the Reserve use is not guaranteed and will depend on the Stabilization Reserve’s size, the VAPP’s funding circumstances and decisions to be made by the Trustees on how to use the Stabilization Reserve.

? When do I have a right to my VAPP retirement benefit?

To get a VAPP retirement benefit, you must be vested in—that is, you must have earned a right to—your benefit. You become vested once you have five years of Vesting Service. A year of Vesting Service is a year in which you work at least 1,000 hours for one or more contributing employers. (If you participated in the Fund’s Legacy Plan, you become vested in the VAPP once you have five years of Vesting Service in the VAPP **and** Legacy Plan combined.)

For answers to questions about the VAPP, contact the plan administrator, Wilson-McShane: 952-851-5797.

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? When will my VAPP benefit be paid to me?

Your VAPP benefit will be paid to you when you retire and elect to start receiving your benefit. Normal Retirement is age 65 with at least five years of Plan participation. You can receive a retirement benefit as early as age 52 if you have at least 15 years of Benefit Accrual Service. If you start receiving benefit payments before Normal Retirement, your benefit will be reduced 6.0% for each of the first ten years and 3.6% for each additional year in which payments start before age 65. (**NOTE:** Benefit Accrual Service for Early Retirement eligibility and disability retirement benefit eligibility includes Credited Service you earned under the Legacy Plan.)

If you leave the Plan after you become vested but before becoming eligible for Normal or Early Retirement, you can receive a VAPP benefit starting at age 65. Or, if you are eligible, you can start receiving an Early Retirement VAPP benefit any time from ages 52 through 64. Your accumulated benefit will continue to be adjusted annually for investment earnings from the time you leave the Plan until your benefit payments start.

? Does my VAPP benefit continue to increase or decrease after I retire?

Whether your VAPP benefit changes after retirement depends on a one-time choice you will make at retirement. You will choose between a fixed-for-life benefit **or** a variable benefit when you apply for a retirement benefit. **Once you make this choice, it can’t be changed.**

? Do I receive a VAPP benefit if I become disabled or die?

If you have at least 15 years of Benefit Accrual Service (including Credited Service under the Legacy Plan) and you became totally and permanently disabled (as defined by the Plan) while an active employee in the Plan, you will be eligible for a disability retirement benefit. If you die after becoming vested in your benefit, your spouse will be eligible for a survivor benefit from the Plan. See the Plan’s Summary Plan Description for details.