

# ARIZONA SHEET METAL TRUST FUNDS

HEALTH AND WELFARE

ADMINISTRATIVE OFFICE

PENSION

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## **BENEFIT PAYMENT OPTIONS RELATIVE VALUE**

IRS REGULATIONS REQUIRE PLANS, SUCH AS OURS, TO GIVE RETIRING PARTICIPANTS A COMPARISON OF THE RELATIVE VALUES OF THE BENEFIT PAYMENT OPTIONS GENERALLY AVAILABLE TO THEM. THE GOAL IS TO HELP INDIVIDUALS MAKE INFORMED CHOICES ABOUT THE FORM IN WHICH THEY RECEIVE THEIR RETIREMENT BENEFITS.

### ***WHAT IS RELATIVE VALUE?***

RELATIVE VALUE MEANS THE ACTUARIAL PRESENT VALUE OF EACH OPTIONAL FORM OF PAYMENT COMPARED TO THE ACTUARIAL PRESENT VALUE OF THE NORMAL FORM OF PAYMENT UNDER A PLAN. ACTUARIAL VALUES OF BENEFITS ARE DETERMINED USING:

- ❖ MORTALITY ASSUMPTIONS, WHICH ARE BASED ON STANDARDIZED TABLES DEVELOPED BY ACTUARIAL ORGANIZATIONS AND LIFE INSURANCE COMPANIES. INFORMATION IS ANALYZED ABOUT LARGE GROUPS OF PEOPLE TO PROJECT THE RATES AT WHICH GROUPS OF INDIVIDUALS AT DIFFERENT AGES ARE EXPECTED TO DIE. THESE STATISTICAL MORTALITY PROJECTS ARE USED TO DEVELOP "AVERAGE LIFE EXPECTANCIES."
- ❖ INTEREST ASSUMPTIONS, WHICH ESTIMATE THE LIKELY INVESTMENT EARNINGS, OVER TIME, OF THE MONEY PUT ASIDE TO PAY BENEFITS. THIS IS IMPORTANT IN THE DETERMINATION OF ACTUARIAL VALUE BECAUSE INVESTMENT EARNINGS PROVIDE SOME OF THE MONEY USED TO PAY BENEFITS.

### ***WHAT ARE THE RELATIVE VALUES UNDER OUR PLAN?***

UNDER OUR PLAN, THE NORMAL FORMS OF PAYMENT ARE THE:

- ❖ 50% HUSBAND-AND-WIFE PENSION FOR MARRIED PARTICIPANTS; AND
- ❖ SINGLE LIFE ANNUITY WITH 36 MONTHS GUARANTEED FOR SINGLE PARTICIPANTS.

IN GENERAL, MOST OPTIONAL FORMS OF PAYMENT AVAILABLE UNDER OUR PLAN HAVE APPROXIMATELY THE SAME ACTUARIAL PRESENT VALUE AS THE NORMAL FORM. THIS IS TRUE FOR MARRIED PARTICIPANTS RETIRING BETWEEN AGES 55 AND 65 WITH A SPOUSE UP TO 10 YEARS YOUNGER OR OLDER. THIS IS ALSO TRUE FOR DISABLED PARTICIPANTS RETIRING AT AGES 35 THROUGH 60.

### ***HOW WAS THIS DETERMINED?***

THE VALUATION AND REPORTING METHODOLOGIES USED WERE BASED ON IRS REGULATIONS, WHICH CAN BE FOUND IN TREASURY REGULATIONS SECTION 1.417(A)(3)-1. THESE METHODOLOGIES ARE FAIRLY TECHNICAL AND CAN BE DIFFICULT TO UNDERSTAND. HOWEVER, IRS REGULATIONS REQUIRE THAT WE PROVIDE THIS INFORMATION TO YOU.

### ***WHAT DOES THIS MEAN TO ME?***

AS WE SAID EARLIER, BASICALLY, THIS MEANS THAT THE OPTIONAL FORMS OF PAYMENT PROVIDED BY THE PLAN HAVE RELATIVELY THE SAME VALUE AS THE NORMAL FORM OF PAYMENT UNDER OUR PLAN. HOWEVER, IT IS

IMPORTANT THAT YOU REALIZE THAT THIS IS NOT A GUARANTEE OR EVEN A PREDICTION OF WHAT YOU WILL ACTUALLY BE ELIGIBLE TO RECEIVE WHEN YOU RETIRE. THE ACTUAL VALUE OF THE DIFFERENT FORMS OF PAYMENT WILL VARY DEPENDING ON HOW LONG THE INDIVIDUAL AND SPOUSE OR BENEFICIARY LIVE AND ON THEIR AGES WHEN PAYMENTS START.

UPON YOUR WRITTEN REQUEST, YOU WILL BE PROVIDED WITH THE RELATIVE VALUES, BASED ON YOUR OWN AGE AND ESTIMATED BENEFITS, BETWEEN YOUR NORMAL FORM OF PAYMENT AND ON ANY OTHER FORMS OF PAYMENT THAT YOU ARE ELIGIBLE FOR. WE WILL ALSO PROVIDE YOU WITH THE DETAILS OF THE ACTUARIAL ASSUMPTIONS USED TO MAKE THE COMPARISON. YOU MAY WANT TO CONSULT A FINANCIAL ADVISOR WHEN YOU ARE NEARING RETIREMENT TO DETERMINE WHAT IS RIGHT FOR YOU.

TO OBTAIN AN INDIVIDUAL RELATIVE VALUES ESTIMATE, PLEASE SEND A WRITTEN REQUEST TO:

SOUTHWEST SERVICE ADMINISTRATORS, INC.  
2400 W. DUNLAP AVENUE – SUITE 250  
PHOENIX, ARIZONA 85021