

# INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 877 ANNUITY FUND

## ANNUAL "QDIA" NOTICE FOR THE 2016 PLAN YEAR

TO: ALL PARTICIPANTS, BENEFICIARIES, AND ALTERNATE PAYEES

Having enough money for a comfortable retirement is an important issue for all of us. With high unemployment levels and a turbulent stock market, you should consistently monitor your retirement finances and make changes, as needed, which are best for you and your family. The International Union of Operating Engineers Local 877 Annuity Fund (Fund) is an individual account plan where you have the right, and the responsibility, to exercise independent control over the monies in your Fund accounts (which can include regular employer, 401(k) and rollover contribution accounts) through the "Self-Directed Investment Program." This Program is administered by a third party selected by the Fund's Trustees, the Principal Financial Group.

You likely recall that the Fund's Board of Trustees implemented various "Qualified Default Investment Alternatives" or "QDIAs" in late 2007 *with respect to those participants, beneficiaries and alternate payees who had never provided the Fund with any investment election regarding their Fund accounts*. These QDIA rules, and the Fund's associated QDIA options, were put in place in order to comply with federal law (the Pension Protection Act of 2006) and final regulations issued by the U.S. Department of Labor (DOL).

Under those DOL regulations, the Fund's Board of Trustees is required to provide you with an annual notice regarding the Fund's QDIA options, **which are currently twelve (12) "Principal Lifetime" options**. *We note that the particular QDIA option for you will vary based on your date of birth*. This is your QDIA notice for the 2016 Plan Year, which runs from January 1, 2016 through December 31, 2016.

### **I. REMIND ME WHAT THIS "QDIA" RULE MEANS FOR ME AND MY FUND ACCOUNTS?**

- A. If you are a Fund participant, beneficiary or alternate payee who has previously provided the Fund with an investment election for any of your accounts, whether by using Principal's telephone service or website, then this QDIA rule has *absolutely no effect on you or your accounts, and you are not required to take any action at this time*. Your Fund accounts will stay invested as they have been, and any new monies flowing into your Fund accounts will be invested in accordance with your most recent investment election.
- B. However, if you are a Fund participant, beneficiary or alternate payee who has NEVER made any investment election, then any contributions made to your Fund accounts will be placed in the Fund's QDIA option, which again is the Principal LifeTime option appropriate for you, based on your date of birth.

*Notes:* (1) For individuals who have been covered by the Fund for a long period of time and who have never made an investment election, they may also have some monies invested in the Fund's "Money Market Separate Account" option. This investment option was the

Fund's "default" option for individuals who had not made any investment election *prior to* the adoption of the QDIA rule in late 2007.

- (2) Please remember that the Fund added five new QDIA Funds (the 2015, 2025, 2035, 2045 and 2055 options) in late 2008. So, if you have never made an investment election, you may see current contributions flowing into one of these new QDIA options, while prior contributions may remain in an "older" QDIA option (for example, the Money Market Separate Account, the 2010 or 2020 options).

If you have monies in any QDIA option (or options), refer to Section IV below about your ability to move out of any QDIA option (or options).

## **II. YOUR RIGHT TO DIRECT THE INVESTMENT OF YOUR FUND ACCOUNTS**

Regardless of whether you fall into category A or B in I, above, you *always* have the ability to make an affirmative election as to how your current Fund accounts and future contributions are invested. For more information on how to do so now, refer to pages 8 through 12 of the Fund's Summary Plan Description (2008 edition), contact Principal at 1-800-986-3343, or call the Fund's administrative office at (781) 769-5789. In addition, you can access your individual Fund accounts by visiting Principal's website at [www.principal.com](http://www.principal.com).

## **III. INFORMATION ABOUT THE FUND'S "QDIA" INVESTMENT OPTIONS**

*As of the date of this notice*, the Fund has twelve (12) separate QDIA options. The QDIA for any one individual will depend on his or her date of birth, as follows:

- A. Principal LifeTime Strategic Income option (for those born before 1948)
- B. Principal LifeTime 2010 option (for those born between 1948 and 1952)
- C. Principal LifeTime 2015 option (for those born between 1953 and 1957)
- D. Principal LifeTime 2020 option (for those born between 1958 and 1962)
- E. Principal LifeTime 2025 option (for those born between 1963 and 1967)
- F. Principal LifeTime 2030 option (for those born between 1968 and 1972)
- G. Principal LifeTime 2035 option (for those born between 1973 and 1977)
- H. Principal LifeTime 2040 option (for those born between 1978 and 1982)
- I. Principal LifeTime 2045 option (for those born between 1983 and 1987)
- J. Principal LifeTime 2050 option (for those born between 1988 and 1992)
- K. Principal LifeTime 2055 option (for those born between 1992 and 1996)
- L. Principal LifeTime 2060 option (for those born after 1996)

There are three other important things to keep in mind with these QDIA options:

1. The DOL requires the Fund to provide you with specific information for each QDIA option as to investment objectives, risk, return characteristics, and expenses. Attachment A, included with this Notice, includes these important details for each QDIA investment option. Again, the specific QDIA option *for you* will depend upon your date of birth as noted above.
2. Each QDIA option will invest in other Principal Investors Funds. Also, except for option A (Principal LifeTime Strategic Income option), each QDIA option is managed by Principal *toward a particular target date*, which is intended to correspond with your anticipated

retirement date, based on your birth date as noted above. As a result, Principal will automatically change the investment mix (which is the investment percentage in stocks, bonds and real estate) of QDIA options B through K over time to become more conservative as the particular option approaches its target date (e.g., 2015, 2020, 2025, 2030, etc.). Since option A is designed to provide a steady income for those in retirement, its investment mix will remain very consistent over time.

3. As with any investment, the past performance of a particular Fund QDIA option is no predictor or guarantee of future results. The value of a particular Fund QDIA option will vary from day to day in response to many factors. For example, a QDIA which holds stocks will fluctuate in value in response to the activities of the companies represented by such stocks, along with general market and economic conditions. A QDIA which holds bonds will fluctuate in value based on changes in interest rates and the credit quality of a particular bond issuer. You may have a gain or a loss when you are invested in any Fund QDIA.

**IV. IF YOU ARE IN A QDIA OPTION (OR MULTIPLE QDIA OPTIONS), YOU MAY ELECT, AT ANY TIME, TO TRANSFER MONIES OUT OF SUCH QDIA OPTION(S)**

Even if you have never made an investment election in the Fund and you have amounts in the Fund's Money Market Separate Account and/or one or more of the Fund's QDIA options (one of the Principal LifeTime options), you still have the ability to make an investment election and transfer some or all of the amount in your accounts to other Fund investment options. There are no restrictions, penalties or fees when you make such an election. However, you should be aware that any individual Fund investment option may have specific rules which govern its operation as to any investor. As a couple of common examples, a mutual fund may impose: (A) an overall restriction on the number of transactions (transfers in and out) an investor in that fund may make in a set time frame (e.g., 30 days, 90 days), and/or (B) a redemption fee (1% to 2% of the amount invested) if assets of that mutual fund are purchased and then sold in a short time frame (e.g., 60 to 90 days). Restrictions like this are put in place to prevent market timing.

**V. WHERE YOU CAN GET MORE INFORMATION ABOUT THE FUND'S INVESTMENT OPTIONS**

If you need any information about a Fund QDIA or other investment options, you should contact Principal at 1-800-986-3343. They will provide you with the information you need, including copies of any prospectus. To take advantage of your right to make investment elections in the Fund's Self-Directed Investment Program, you simply need to call Principal's toll free telephone number, or access your Fund account(s) by visiting Principal's website at [www.principal.com](http://www.principal.com). You may contact the Fund Office if you have other questions at (781) 769-5789.

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This Notice is a Summary of Material Modifications to your Annuity Plan's Summary Plan Description or "SPD." Please keep this Notice with your SPD for future reference, as it updates the rules of the Fund (especially the chart of QDIA options, and applicable dates of birth, contained on page 11).

**BOARD OF TRUSTEES,  
INTERNATIONAL UNION OF OPERATING ENGINEERS  
LOCAL 877 ANNUITY FUND**

**November 1, 2015**