LOCAL 807 LABOR-MANAGEMENT HEALTH & PENSION FUNDS

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MPRA Pension Preservation Plan

July 2018

Dear Contributing Employer,

We are writing with important news about the Local 807 Labor-Management Pension Plan. As you know, in 2016, our annual review of the Plan's finances led us to conclude that the Plan was in what's known as "Critical and Declining Status." This means that the Plan is expected to run out of money by 2028—unless we take action now.

As you also know, we have been trying to fix the Plan's finances since 2000. We started asking for annual contribution rate increases in 2000. In 2012, after entering the Red Zone, we implemented a Rehabilitation Plan that eliminated flexible benefits and required contribution rate increases of $0.45 per hour. (The contribution rate was decreased to $0.39 per hour for contracts signed after June 1, 2018, as part of the MPRA Pension Preservation Plan.)

Despite these efforts to keep the Plan on sound financial footing, the Plan is still headed toward insolvency. A combination of forces largely beyond our control—investment losses due to the 2008 stock market crash, employers who have left the Plan and/or gone out of business, and an unsustainable ratio of 5.42 retirees to every one active participant—has battered the Plan's finances.

What is MPRA?

There are no easy answers to the problems the Plan faces, but there is now a path forward as a result of the Multiemployer Pension Reform Act of 2014 (MPRA). We applied to the United States Treasury Department for MPRA relief on June 29, 2018. If approved, the Pension Preservation Plan will go into effect on May 1, 2019. Following this letter is a formal notice of our MPRA benefit suspension application to the Treasury Department.

MPRA gives Trustees of plans like ours the ability to avoid insolvency and save the Fund and the benefits we provide by reducing benefits (including benefits of retirees already collecting their pensions), within certain limits. MPRA relief is available only to plans that have problems that can be fixed permanently by enacting a one-time benefit reduction. Our MPRA relief plan is called the Pension Preservation Plan. By implementing the Pension Preservation Plan, we expect to:

- Fix the Plan's finances and put the Plan back in a position where our future financial stability is as close to guaranteed as we can make it;
- Continue to pay benefits for the foreseeable future. We expect that the suspensions we make now will enable the Plan to stabilize its finances and keep benefits flowing to retirees and other eligible payees; and
- Keep the benefit reductions and contribution rate increases as fair and modest as possible.

Key Points About MPRA Benefit Suspensions

- The Pension Preservation Plan calls for the **contribution rate to be increased by $0.39 per hour** each year. The Rehabilitation Plan was modified to reflect this increase, which is a lesser increase than the $0.45 per hour annual increase provided for in the previous Rehabilitation Plan. The increase applies to any collective bargaining agreement that is effective on or after June 1, 2018, and will apply even if the Treasury Department does not approve the Pension Preservation Plan.
- **Disability pensioners and retirees and beneficiaries who are age 80 and above** when the MPRA relief plan goes into effect **will not have their pensions reduced. And retirees and beneficiaries who are at least age 75 but less than 80** when the MPRA relief plan goes into effect **will have their pension reductions calculated on a sliding scale based on age.**
- **If the Pension Preservation Plan is not approved and the Pension Plan becomes insolvent, we face the possibility that the Plan will run out of money** and participants will have to rely on the shaky Pension Benefit Guaranty Corporation (PBGC) for an even lesser benefit. **The PBGC will cut everyone's pensions across the board, the cuts will be much larger than the reductions in the Pension Preservation Plan, and the cuts will hit everyone regardless of age or disability status. And, if the PBGC itself becomes insolvent, pensions could be reduced to nothing.**
- **The longer we wait, the larger the contribution rate increases and the benefit reductions will have to be to save the Plan.** If we wait too long, no relief plan will be able to save the Plan from running out of money.

What is the Attached Notice of Application for Approval of a Proposed Reduction of Benefits?
By law, we are required to send the attached notice to you. Much of the notice is legally required text that we could not change. We have put together this letter as well as the resources listed in the "Want More Information?" section to help you make sense of the attached notice and the Pension Preservation Plan in general.

The notice is divided into six main sections:

1. Why is the Board of Trustees proposing to reduce benefits?
2. What will happen if the Plan runs out of money?
3. How did the Board of Trustees decide whose benefits to reduce and by how much?
4. What are the proposed reductions in benefits?
5. What comes next?
6. An individualized estimate that explains how each participant's pension will be impacted by the Pension Preservation Plan. (Note: An individualized estimate is not included in this mailing. The estimates were only sent to participants.)

What's Next?
Now that the Pension Preservation Plan has been submitted to the Treasury Department, you have the opportunity to review it and comment on it. If it is approved by the Treasury Department, participants will vote on whether to ratify it or not. The Treasury Department will post the full application and take comments on its website: https://www.treasury.gov/services/Pages/Plan-Applications.aspx. And we will continue to keep you informed throughout the Pension Preservation Plan process.

Want More Information?
We will present the details of the Pension Preservation Plan and answer participant questions during a Town Hall-style in-person meeting on July 22, as well as during online presentations in July. Employers are welcome to attend the Town Hall meeting. We also encourage all Contributing Employers to refer to our website for more information and for updates about the Pension Preservation Plan.

- **Pension Preservation Plan Website:** www.807pensionpreservation.org
- **Town-Hall Meeting:** Sunday, July 22, at 9:00 AM, at IBT Local 282 Union Hall (2500 Marcus Avenue, Lake Success, NY 11042)
- **Pension Preservation Plan Call Center:** (833) 593-3023

In Closing
We encourage you to carefully review the attached notice and all of the other materials we have prepared. We hope that they will help you understand the seriousness of our situation and why your support for the Pension Preservation Plan is important.

This has been perhaps the most difficult decision the Board has ever had to make. Reducing pensions for current retirees and beneficiaries is not something we ever thought we'd have to do. However, we need to consider these changes to avoid insolvency. The only reason we're even contemplating these changes is to prevent insolvency. If the Pension Preservation Plan works as we expect it to, the result will be a Pension Plan that participants and employers can count on for years to come.

Sincerely,

The Board of Trustees

NOTICE OF APPLICATION FOR APPROVAL OF A PROPOSED REDUCTION OF BENEFITS FOR LOCAL 807 LABOR-MANAGEMENT PENSION FUND

July 3, 2018

NOTICE OF A PROPOSED REDUCTION OF YOUR PENSION BENEFITS

On June 29, 2018, the Board of Trustees of the Local 807 Labor-Management Pension Fund (the "Plan") submitted an application to the U.S. Treasury Department for approval to reduce benefits under the Plan. This type of benefit reduction is allowed by the Federal law called the Multiemployer Pension Reform Act of 2014.

You are getting this notice because you have a pension benefit under the Plan. **The end of this notice describes the proposed reduction of your monthly payments**. This notice will also answer the following questions for you:

1. Why is the Board of Trustees proposing to reduce benefits?
2. What will happen if the Plan runs out of money?
3. How did the Board of Trustees decide whose benefits to reduce and by how much?
4. What are the proposed reductions in benefits?
5. What comes next?

1. Why is the Board of Trustees proposing to reduce benefits?

The Plan's actuary estimated that, unless benefits are reduced, the Plan will not have enough money to pay benefits in 2028. This estimate is based on how much money the actuary expects the Plan to receive and to pay out each year. The Plan's actuary estimated that, with the reduction of benefits that the Board of Trustees has proposed, the Plan should not run out of money.

2. What will happen if the Plan runs out of money?

If the Plan does not have enough money to pay benefits, then only the amount guaranteed by the Pension Benefit Guaranty Corporation (the "PBGC") will be paid. You can find the amount of your benefit that is guaranteed by the PBGC at the end of this notice.

3. **How did the Board of Trustees decide whose benefits to reduce and by how much?**
Under Federal law, the Board of Trustees must apply the following rules to the proposed reduction:

- The total reduction in everybody's benefits must be estimated to be large enough to keep the Plan from running out of money but not larger than needed to do that.
- Your monthly benefit and the benefit of your beneficiary cannot be reduced below 110% of the amount guaranteed by PBGC.
- Disability benefits (as defined under the Plan) cannot be reduced.
- The benefits of people who are at least 80 years old on May 31, 2019 and their beneficiaries cannot be reduced.
- The benefits of people who are at least 75 years old on May 31, 2019 and their beneficiaries are partially protected, and the closer the person is to age 80, the less the benefits can be reduced.
- The reduction of benefits must be spread fairly among the people who have a pension benefit under the Plan.

The Board of Trustees used the default method of a level percent decrease as described in the law. Everyone's benefits are reduced by the same amount and no one is treated differently, except as required by law.

4. **What are the proposed reductions in benefits?**
The Board of Trustees proposes the following reduction of benefits: The effective date of the proposed suspension is May 1, 2019, which is about 9 months after the date on which this application is being submitted. Once the suspension is implemented, it will not expire. Under the suspension:

- The monthly pension benefit payments of any pensioner who is in pay status as of May 1, 2019 will be reduced by 39.5% as of that date; and
- The monthly pension benefit payments of any participant or beneficiary who enters into pay status after May 1, 2019 will be reduced by 39.5% for benefits earned through April 30, 2019. Benefits earned after May 1, 2019 will not be reduced.

Payment reductions will be limited as follows:

- The monthly pension benefit payments of any individual will not be reduced below 110% of the monthly pension benefit which is guaranteed by the Pension Benefit Guaranty Corporation under section 4022A ERISA, as of the date on which the benefit reduction becomes effective above for such individual.
- In the case of any pensioner who is age 75 or older as of May 31, 2019, the payment reduction may not exceed the "applicable percentage" of the portion of the monthly pension benefit payments that would be reduced without regard to this sentence. The "applicable percentage" is a percentage that: (i) the number of months occurring in the period which begins with the month after May 2019, and which ends with the month during which the pensioner attains the age of 80 is of (ii) 60 months.

In no event will a payment reduction apply to any participant who is receiving a disability pension, or who is in pay status as of May 1, 2019, and has reached age 80 by May 31, 2019.

The proposed suspension does not provide for different treatment of participants and beneficiaries, or of any group thereof (other than as a result of the application of the limitations on the pension benefit payment reductions, applied as set forth above).

5. What comes next?

Approval or denial of the application by the Treasury Department

The Treasury Department will review the application to see whether it meets all of the legal requirements under Federal law. If the application meets all of those requirements, the Treasury Department is required to approve the application. If the application does not meet the legal requirements, the Treasury Department will deny the application. The Treasury Department will have until February 9, 2019 to make a decision.

You can get information from the Treasury Department

More information about the proposed benefit reductions and a copy of the application is available at www.treasury.gov/mpra.

The application will be available on that website within 30 days after the Treasury Department receives it. The application includes more information about the proposed reduction, including details about: 1) the Plan actuary's certification that the Plan will run out of money (that is, that the Plan is in "Critical and Declining status"); 2) how the proposed reduction would satisfy the requirement that it be large enough so that the Plan is estimated not to run out of money, while not being larger than needed; and 3) the sensitivity of these estimates to the assumptions used.

The application describes the steps the Board of Trustees has already taken to keep the Plan from running out of money and why the Board of Trustees believes that a benefit reduction is the only remaining option to keep the Plan from running out of money. In addition, the application explains why the Board of Trustees believes that the proposed reduction is spread fairly among the people who have a pension benefit under the Plan.

The Treasury Department website will also provide updated information on the application, such as whether the application has been updated or withdrawn.

For further information and assistance, you can also write to the Treasury Department at the following address:

Department of the Treasury
Attn: MPRA Office, Room 1204
1500 Pennsylvania Avenue, NW
Washington, DC 20220

You can comment on the application to reduce benefits

You can submit a comment on the application by going to www.treasury.gov/mpra. Comments may also be mailed to the Department of the Treasury, at the address listed above. All interested parties can make comments, and the comments will be publicly available.

Retiree Representative
If a plan has 10,000 or more participants, the Board of Trustees must select a retiree representative to advocate for the interests of retirees, beneficiaries and deferred vested participants as part of this process. A plan is required to pay the reasonable expenses of the retiree representative.

In this case, the Board of Trustees is not required to select a retiree representative, because the Plan has fewer than 10,000 participants. The Board of Trustees has not chosen to select a retiree representative.

Vote on the proposed benefit reduction
If the application for the proposed reduction of benefits is approved by the Treasury Department, then you will have the opportunity to vote on the proposed reduction. Unless a majority of all participants and beneficiaries of the Plan vote to reject the reduction, the Treasury Department must allow the reduction of benefits to take effect. This means that not voting counts the same as a vote to approve the reduction.

Your right to see Plan documents
You may want to review Plan documents to help you understand your rights and the proposed reduction to your benefits. The Plan Administrator must respond to your request for the following documents within 30 days:

- The Plan document (including any amendments adopted to reflect an authorized reduction of benefits), trust agreement and other documents governing the Plan (such as collective bargaining agreements).
- The Plan's most recent summary plan description (SPD or plan brochure) and any summary of material modifications.
- The Plan's Form 5500 annual reports, including the accountant's report and audited financial statements, filed with the U.S. Department of Labor during the last six years.
- The annual funding notices furnished by the Plan during the last six years.
- Actuarial reports, including reports prepared in anticipation of the benefit reduction, furnished to the Plan within the last six years.
- The Plan's current rehabilitation plan, including contribution schedules, and, if the proposed benefit reduction goes into effect, annual Trustee determinations that all reasonable measures to avoid running out of money continue to be taken and that the Plan would run out of money if there were no benefit reductions.
- Any quarterly, semi-annual or annual financial reports prepared for the Plan by an investment manager, fiduciary or other advisor and furnished to the Plan within the last six years.

The Plan Administrator may charge you the cost per page to the Plan for the cheapest way of copying documents, but cannot charge more than 25 cents per page. The Plan's Form 5500 Annual Return/Report of Employee Benefit Plan is also available free of charge at https://www.dol.gov/agencies/ebsa/key-topics/reporting-and-filing/form-5500. Some of the documents also may be available for examination, without charge, at the Plan Administrator's office, your worksite or union hall.

Your right to challenge incorrect calculations

If you think the Plan miscalculated the reduction to your benefits, then you have the right to submit a claim to the Plan to have the calculation corrected. The Plan's summary plan description (the "SPD") tells you how to submit a claim. The SPD also describes your right to have a court review the Plan's final decision on your claim. If you believe the information used to calculate your estimate at the end of this notice is wrong, please contact the Plan Administrator:

Address	32-43 49th Street, Long Island City, NY 11103
Pension Preservation Plan Call Center	(833) 593-3023
Website	www.807pensionpreservation.org
Fund Office	(718) 274-5353
Email	mpra@local807healthfund.org
Fax	(718) 728-4413