



TEAMSTERS

LOCAL 807

Serving NYC, Long Island and NJ since 1909

Local 807 Labor-Management Pension Fund

Understanding the Pension Preservation Plan

July 22, 2018

Agenda

- Overview
- How We Got Here
- Multiemployer Pension Reform Act of 2014 (MPRA)
- Our Proposed Pension Preservation Plan
- Do the Math: Some Examples
- What Happens Next

Overview

- The Local 807 Pension Fund is facing very serious troubles because it is critically underfunded
- If we do not take action, **the Pension Fund will become insolvent and run out of money in 10 years or less**
- At that point, our Fund will have zero assets and will not be able to pay benefits to current and future retirees
- While the Trustees have taken many steps to address this issue, the situation now requires a Pension Preservation Plan

How We Got Here

**What Caused the Pension Fund's Problems and
How the Trustees Have Tried to Fix the Fund**

Pension Funding “101”

Fund Liabilities

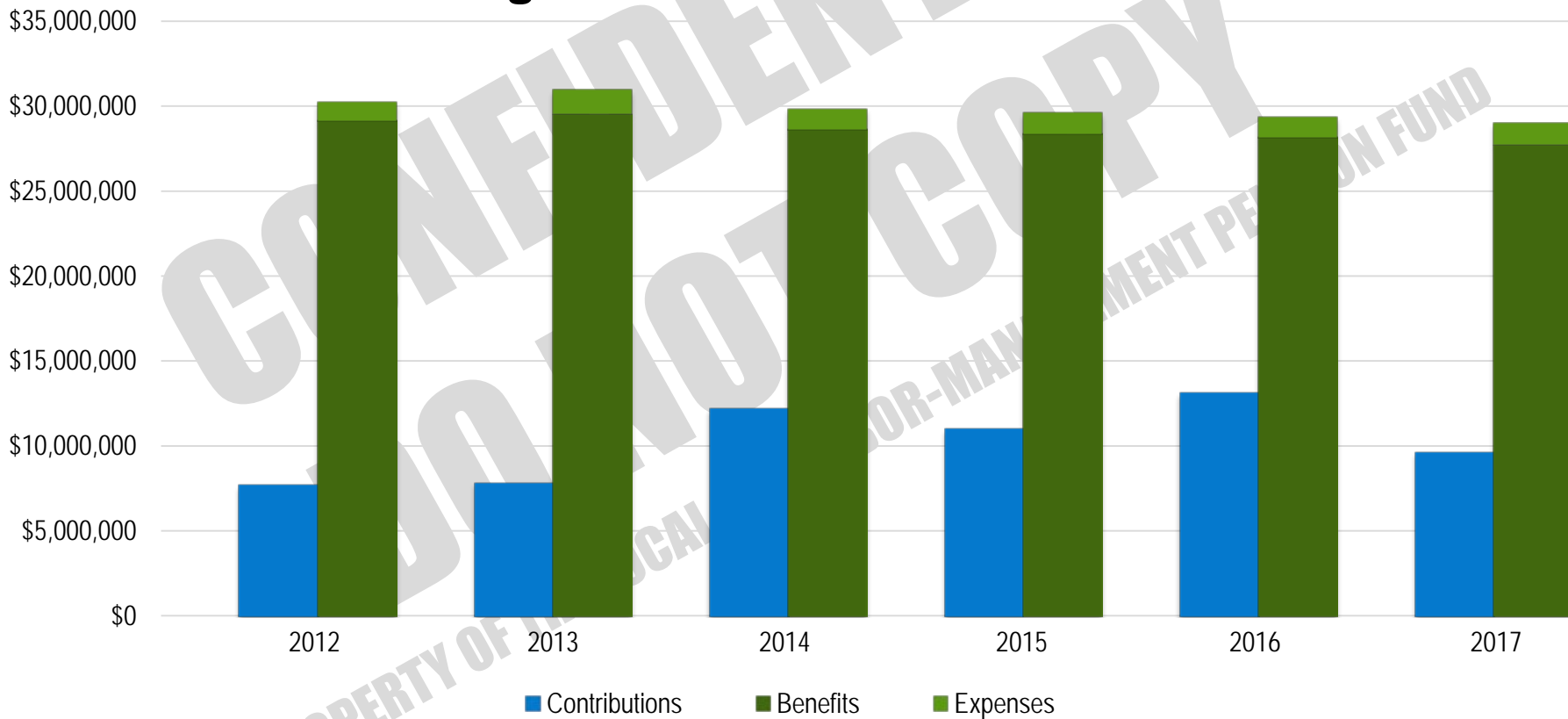
- Benefits earned by active participants and terminated vested participants—for payment in the future
- Benefits currently being paid to retirees and beneficiaries

Fund Assets

- Used to pay benefits—now and in the future
- Funded by employer contributions and investment earnings

Where Our Pension Fund Stands Today

Benefits Paid Out and Administrative Expenses Cost About \$20M More Than the Contributions Coming Into the Fund Each Year



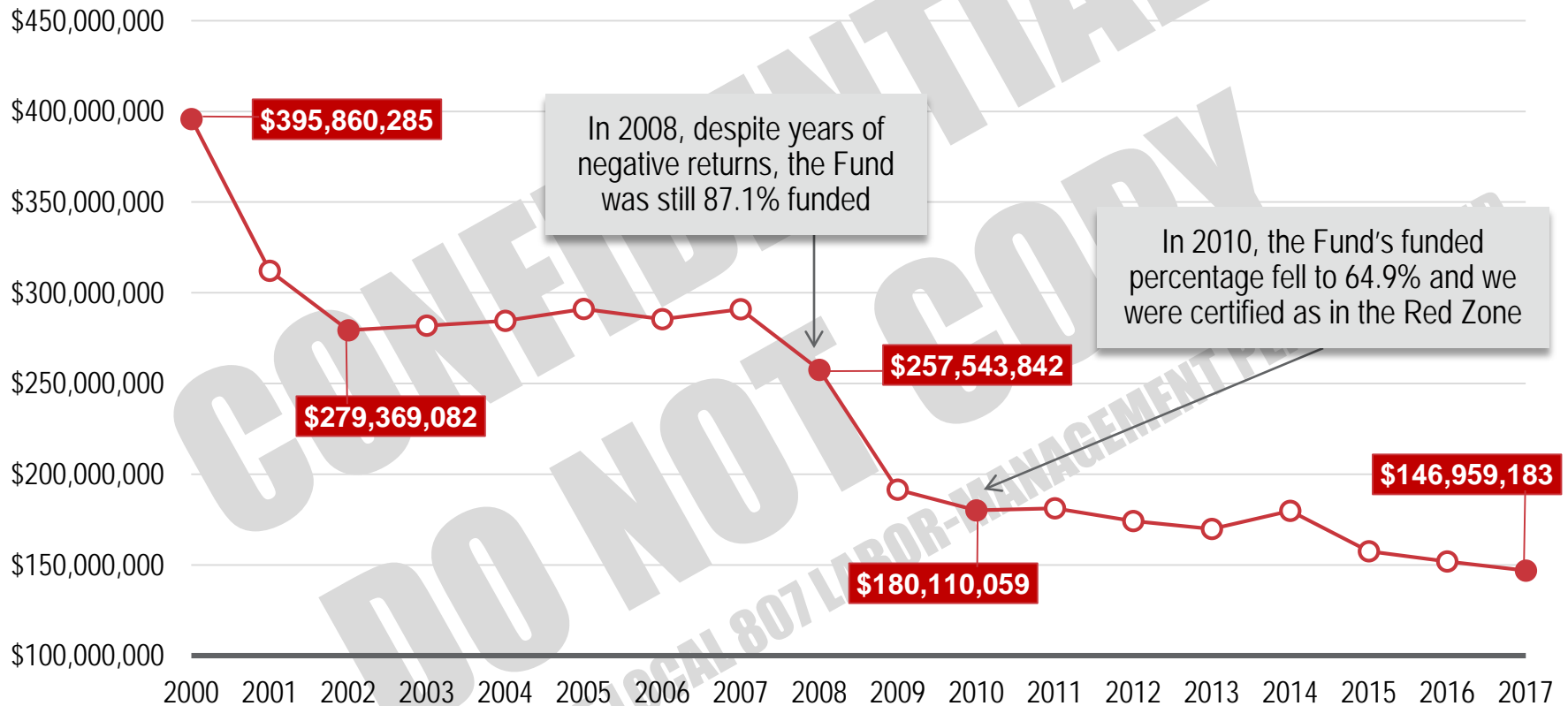
How We Got Here: Loss of Contributing Employers

20 Contributing Employers went out of business or left the Fund for other reasons since 2011:

- ABC Supply
- AC Trucking
- Alside Aluminum
- Apex Xpress
- Brothers Roofing
- Dry Ice
- Farmer Brothers
- Goltens
- Independent Chemical
- Lindenmeyr Munroe
- Maio Trucking
- Nabisco/Kraft/Mondelez (all but one facility)
- National Tinsmith
- Prest O Sales
- RJR Mechanical
- Stanley Supply
- Superior Printing
- VJ Marrian
- Williams & Wells
- Williams Specialized

How We Got Here: Stock Market Crashes

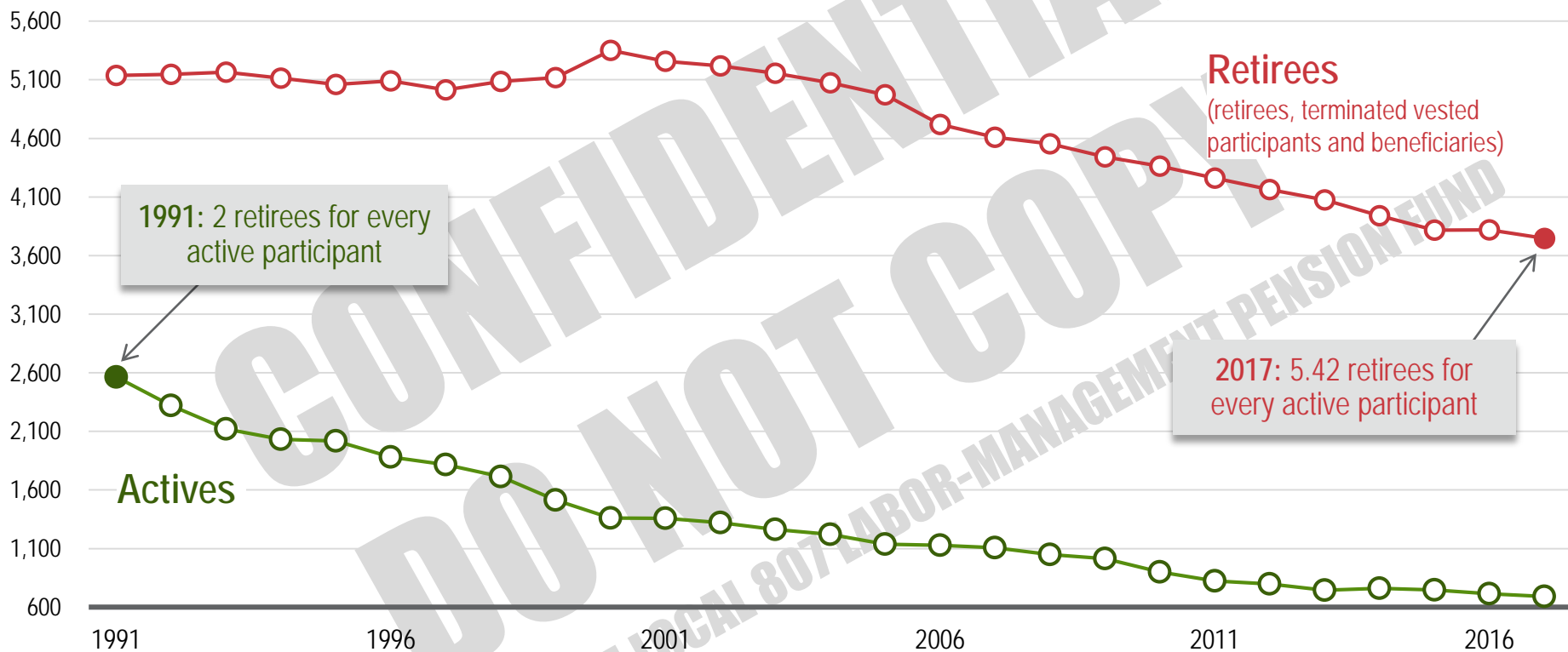
Market Value of Assets



Funding levels dropped almost 30% between 2000 and 2002 and then another 34% after the 2008 crash; in 2016 our funding percentage fell to 46.7% and we were certified as a Red Zone plan in Critical and Declining Status.

How We Got Here: A Major Decrease In Active Participants

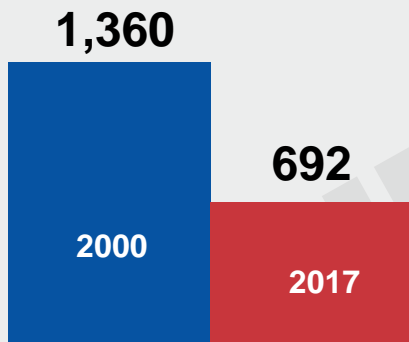
Retirees Outnumber Actives By Over 5 to 1



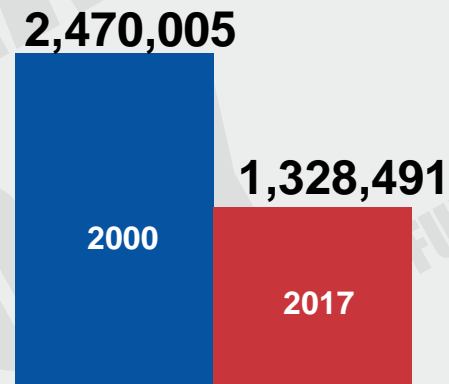
The effect of losing income and members was compounded by the impact of the stock market crashes on our investments.

How We Got Here: Changes That Hurt Our Pension Fund

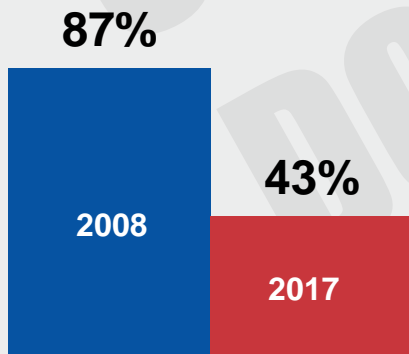
Active Members Dropped



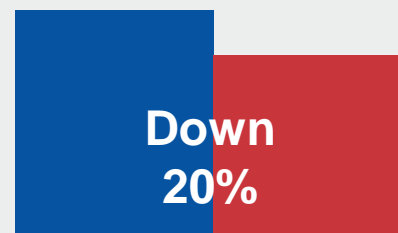
Hours Worked Dropped



Funding Percentage Dropped



Contributing Employers Dropped



How We Got Here: Short-Sighted Government Regulations

1974: ERISA passes, establishes anti-cutback rule

1980: Multiemployer Pension Plan Amendments Act passes, requiring plans to turn surpluses into benefit increases

1970s

1980s

1990s

2000s

1990s-2000: Our Pension Fund was more than 100% funded, and we were forced to increase benefits rather than maintain a “rainy day fund”

These short-sighted regulations left us unable to cope with severe economic downturns.

Attempts To Fix The Pension Fund

- The Trustees have taken the actions needed to keep the Pension Fund on course based on historical factors and legal regulations
 - 2000-2012: Annual contribution rate increases
 - 2010: Accrual calculation and plan design changes
 - 2012 Rehabilitation Plan:
 - Increased contribution rates
 - Eliminated certain subsidized benefits, including service and disability pensions

**Despite these steps to try to fix this problem,
the funding shortage has become worse.**

What Does Insolvency Mean?

- Insolvency means that the Pension Fund does not have enough money to pay benefits—\$0 assets
- Our Pension Fund is projected to be insolvent by 2028
 - We used to be sufficiently funded to sustain the ratio of actives to retirees and be able to pay out benefits to current and future retirees
 - Now, we are not sufficiently funded and our ratio is worse



Without changes, the Pension Fund will no longer be able to support benefits for current and future retirees.

The Multiemployer Pension Reform Act of 2014 (MPRA)

What is the Multiemployer Pension Reform Act of 2014?

In December 2014, the Multiemployer Pension Reform Act of 2014 (MPRA) was enacted and signed into law

MPRA allows trustees of severely underfunded multiemployer pension funds to develop benefit suspension plans that include benefit suspensions for **both** active workers and retirees, in order to save the funds and continue paying benefits for years to come

Under MPRA provisions, there can be no benefit changes for retirees 80 years of age and older or those participants receiving a disability benefit from a multiemployer plan

Any proposed benefit suspensions for retirees ages 75 – 80 would be done on a sliding scale to minimize impact

Why A MPRA Benefit Suspension?

- The Pension Fund has been certified as in “critical and declining” status with the Department of Labor so it qualifies to use MPRA
- As a result, we are eligible to apply for benefit suspensions under MPRA—and we submitted our application for MPRA benefit suspensions at the end of June
- This is the only way we can keep our Pension Fund from becoming insolvent—so that you won’t have larger cuts in the foreseeable future
- This Pension Preservation Plan is designed to stabilize the Pension Fund’s finances and allow it to continue to pay benefits
- This allows the Pension Fund to preserve the greatest benefit amount to all participants

How Do MPRA Benefit Suspensions Work?

- We have worked very hard to create suspensions that are equitably distributed between all of the groups of participants and beneficiaries in the Pension Fund
- Because of the way MPRA works, the percentage by which benefits will be suspended will differ based the participant's age at the time that the suspensions go into effect
- A MPRA benefit suspension plan (our Pension Preservation Plan) includes benefit suspensions not just to future payments for actives, but also to future pension payments for participants who already receive benefits
- Benefit suspensions cannot be more than what is needed to avoid insolvency
- The proposed benefit suspension cannot take benefits for any participant below 110% of the PBGC's guaranteed benefit
- All participants were mailed an individualized notice that explains their benefit suspension
- **All participants vote on the Pension Preservation Plan**

What About The PBGC?

- The Pension Benefit Guaranty Corporation's (PBGC's) multiemployer program protects over 10 million workers and retirees in about 1,400 pension plans
- Without MPRA benefit suspensions, our Pension Fund would become insolvent and go to the PBGC
- If that happens, all participants would face much larger cuts, regardless of age, active or retired status, or disability
- If our Pension Fund goes to the PBGC, it is essentially dead and cannot be changed
- And the PBGC is expected to become insolvent in 2025—so even these reduced benefits might disappear and our participants will be left with almost nothing

What Is The PBGC's Guaranteed Benefit?

- The PBGC uses a set formula to determine a participant's monthly benefit



- The PBGC maximum monthly benefit is limited to \$35.75 times your years of credited service
- If you have 20 years of credited service, your PBGC maximum monthly benefit would be \$715.00.

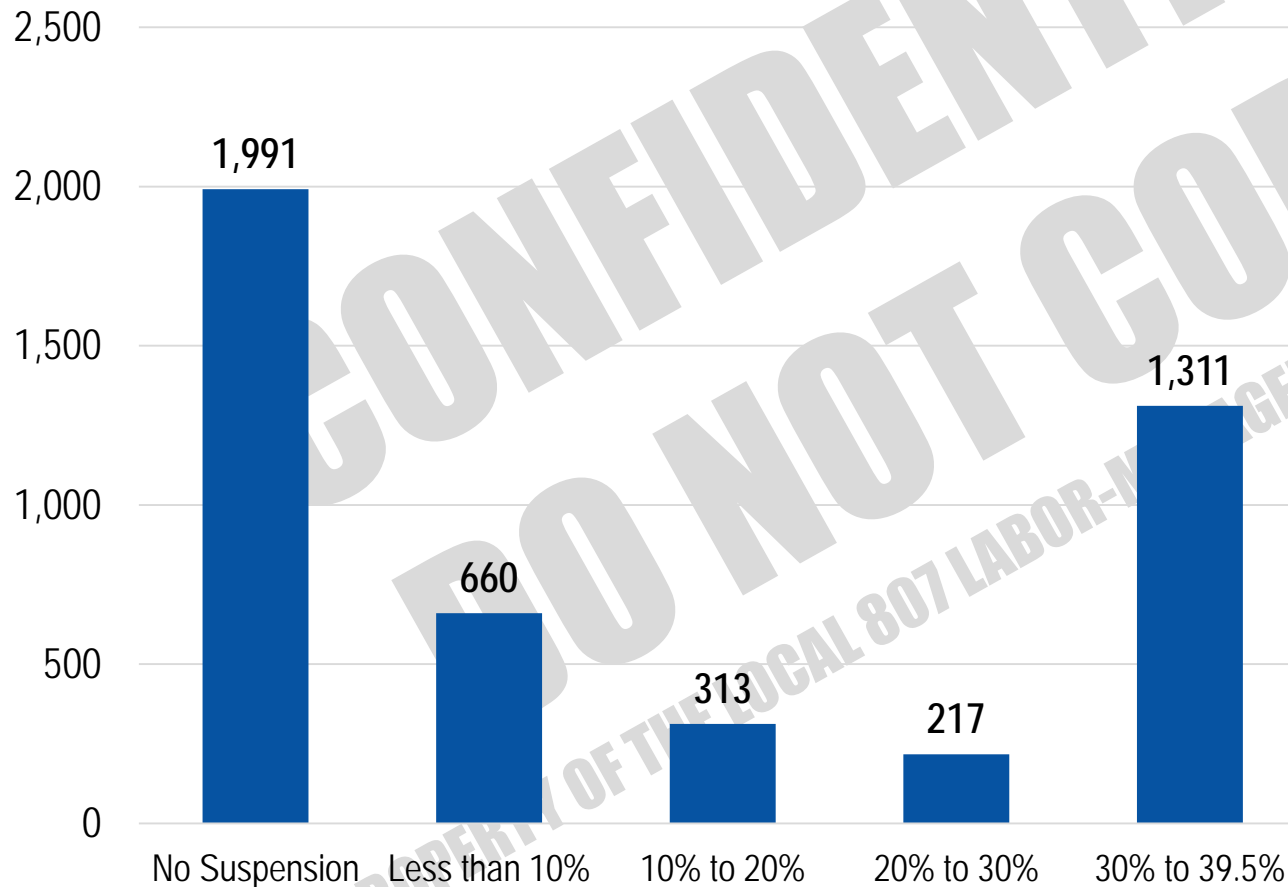
Our Proposed Pension Preservation Plan

How Will Pensions Be Suspended?

- **Active Members or Any Member Not Yet Receiving Benefits**
(including Terminated Vested Participants)
 - You're facing an accrued benefit suspension of up to 39.5%
- **Retired Members Under Age 75 When the Suspensions Go Into Effect**
 - You're facing an accrued benefit suspension of up to 39.5%
- **Retired Members Age 75 to 80 When the Suspensions Go Into Effect**
 - Your benefit suspension will be decreased on a sliding scale, with suspensions smaller for those closer to 80
- **Retired Members Age 80 and Above When the Suspensions Go Into Effect**
 - Your benefits will **NOT** be suspended
- **Disabled Pensioners**
 - Your benefits will **NOT** be suspended

How Are Benefit Suspensions Distributed?

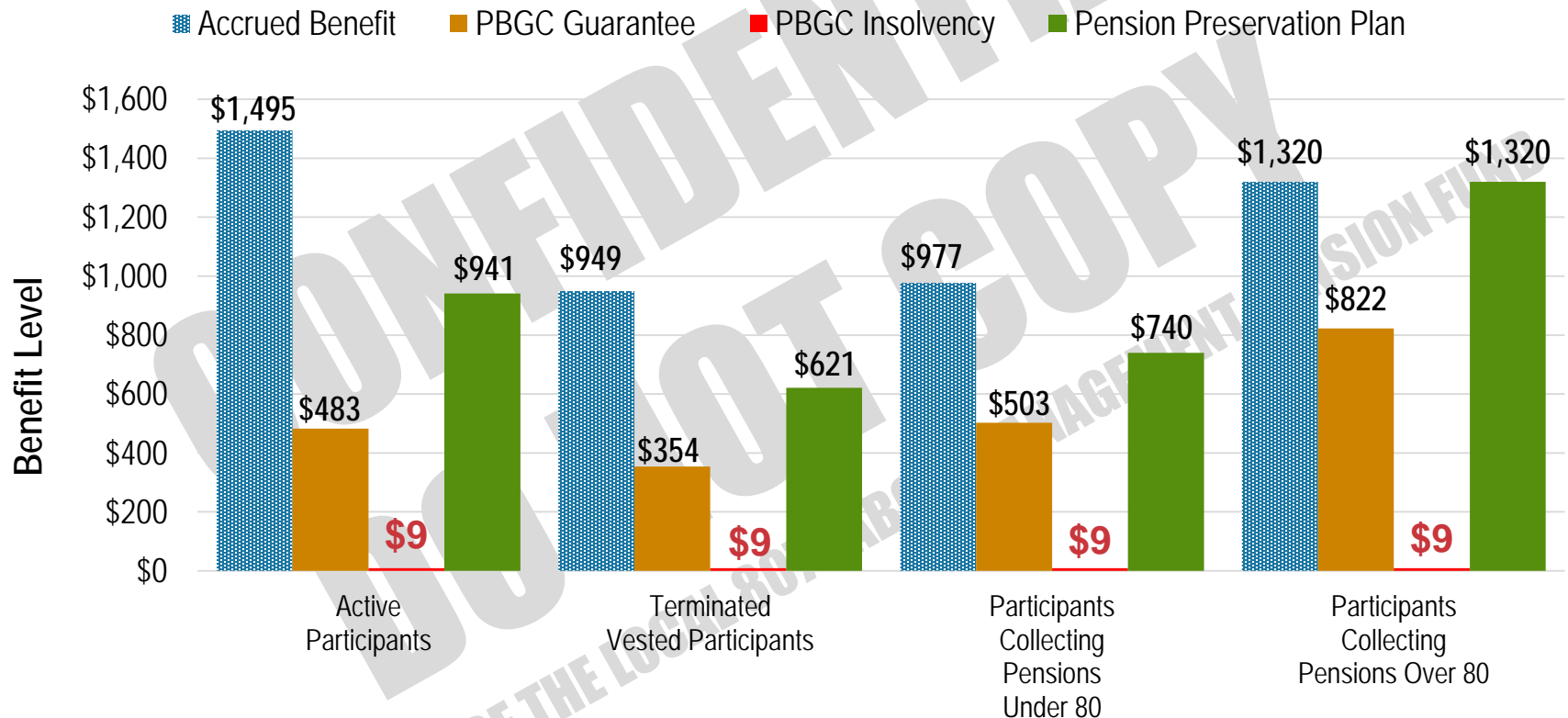
Benefit Suspension Percentage Distribution



- Over 44% of participants will not have a benefit suspension at all and almost 60% will have a benefit suspension that is 10% or less
- About 34% of participants will have a benefit suspension of 20% or more

What's At Stake?

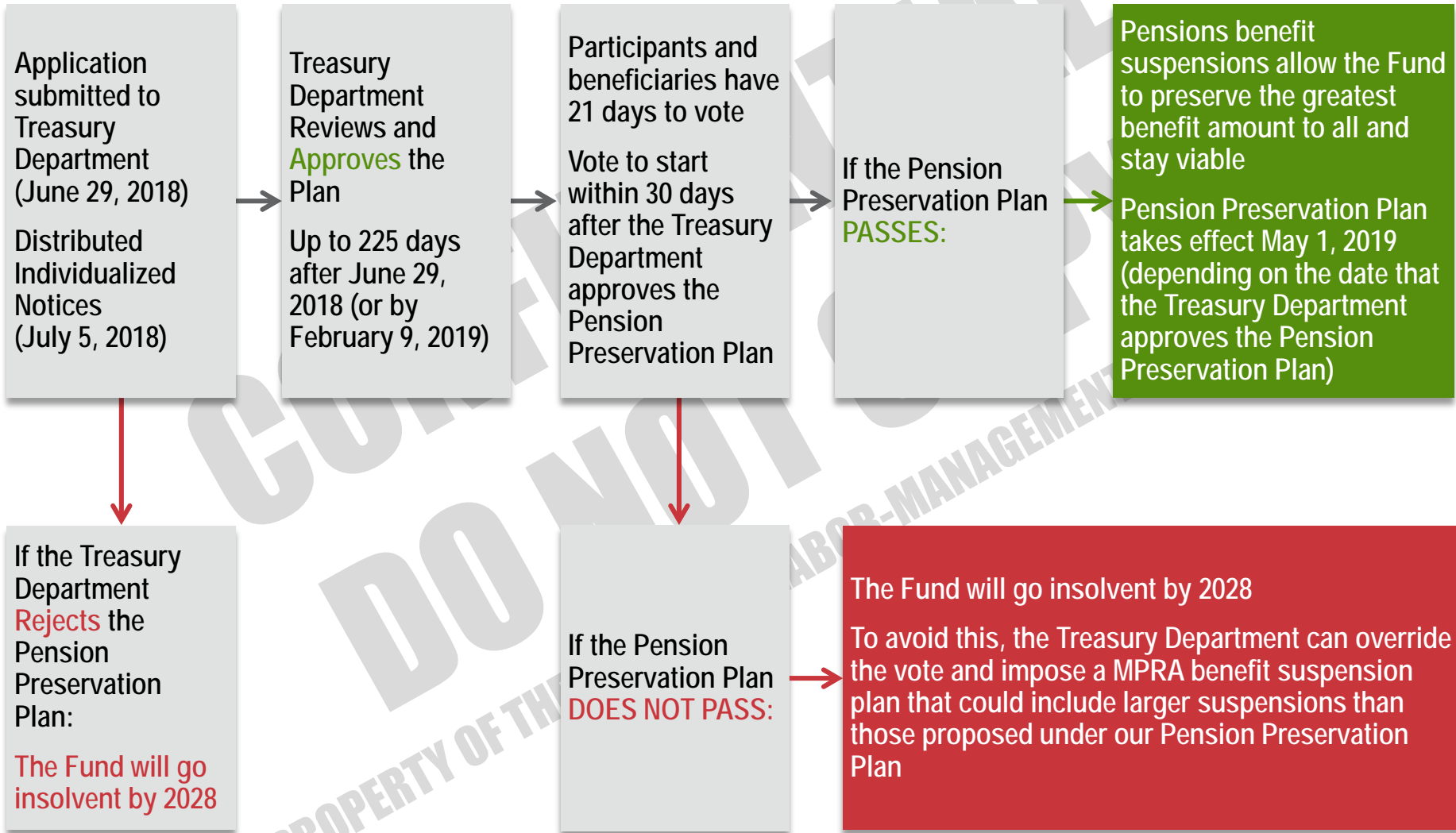
MPRA Benefit Suspensions Are Better Than PBGC Pension Cuts



If the PBGC runs out of money, your benefits will be reduced to almost NOTHING.

What Happens Next

Benefit Suspension Process



MPRA Benefit Application Statistics

Applications (as of July 19, 2018)	Number
Plans That Have Submitted Applications	19
Approved Applications (Note: Only one application has been approved on the first attempt so far)	5
Applications Denied or Withdrawn and then Resubmitted (Note: One application was withdrawn two times and then resubmitted)	7
Applications Denied, Not Yet Resubmitted	4
Applications Withdrawn, Not Yet Resubmitted	2
Applications Under Review (Note: Includes five that have been resubmitted after being denied or withdrawn)	8

The MPRA application process is not easy and the majority have not been successful.

The Vote

- The vote takes place within 30 days of the Pension Preservation Plan's approval by Treasury, and the voting period runs for 21 days
- The Treasury Department has sole responsibility for the voting process, which will be conducted by a third-party administrator that they select
- Voting will be conducted online
- If participants vote to support the Pension Preservation Plan, it will go into effect around May 1, 2019
- If participants do not vote to support the Pension Preservation Plan, it does not mean that the Pension Fund can simply continue the way it is today
- Without the suspensions, the Pension Fund will become insolvent and participants will face far greater reductions

What Will Happen If The Proposed Pension Preservation Plan Is Rejected?

- The Board of Trustees, in consultation with the Pension Fund's Actuary, has determined that the Pension Fund will become insolvent around 2028 or sooner if the proposed Pension Preservation Plan is not implemented in 2019
- When the Pension Fund becomes insolvent, the PBGC will step in and provide the Pension Fund with financial assistance to continue paying a portion of your monthly retirement benefit
- When that happens, the PBGC will make cuts that apply to **ALL** participants; disabled participants and participants over age 75 will also be cut to the PBGC-guaranteed level
- The PBGC has projected that it may run out of funds within 7 years; if this happens, participants and beneficiaries in pay status would be at risk of receiving benefits that would be dramatically lower than the maximum PBGC guaranteed amount
- *Your benefits could be reduced to almost nothing*

The Trustees can refile the MPRA Pension Preservation Plan, but this will result in deeper cuts.

Resources Available

We want to share as much information with you as we can in as many ways as possible.



Meetings



Mail



Website



Call Center



Video

Conclusion

- **This is not a case of mismanagement.** A combination of external factors caused this situation—stock market crashes, employers leaving the Fund and a related drop in active participants
- **The Trustees have taken the actions we needed to keep the Pension Fund on course** based on historical factors and legal regulations
- **While we are not happy at having to suspend benefits, our Pension Preservation Plan is far better than the alternative—**running out of money by 2028 and having to rely on a shaky PBGC for an even lesser benefit—or possibly nothing at all if the PBGC runs out of money
- **We urge you to vote for the Pension Preservation Plan.** If it fails, the Pension Fund faces insolvency and then all participants will face much larger cuts



Questions?

If you have questions or want more information after today's meeting:

- Call the Pension Preservation Plan Call Center:
833-593-3023
- Visit our Pension Preservation Plan Website:
<http://www.807pensionpreservation.org/>