Frequently Asked Questions (FAQs)

This section includes answers to frequently asked questions about our Pension Recovery Plan.

Plan History, Finances & Investments

1. **How did the Plan become so severely underfunded?**
   A number of factors contributed to the Plan's dire financial situation, including a higher-than-expected number of retirements, declining active membership (employers and active employees), and the stock market crash of 2008. A combination of forces have battered the Plan's finances and threaten its survival:

   The inactive to active participant ratio. The number of retired participants, combined with inactive participants who have earned a benefit but no longer contribute to the Plan, far outweighs the number of active participants—by an 8 to 1 ratio. This is mainly due to the following factors:

   A spike in the number of terminated vested participants due to the 2008 recession and slow economic recovery.

   A substantial number of employer withdrawals that have occurred since the Plan was first certified as "critical and declining."

   A higher-than-expected number of participants retired when the Plan was first certified as "critical and declining," before the initial 2010 Rehabilitation Plan changes took place.

   The number of contributing employers. Employer contributions are a critical source of Plan funding. However, due to the recession and subsequent slow economic recovery, the number of employers contributing to our Plan is significantly down, from 280 in 2008, to just 180 in 2016. And, while employers exiting the Plan are required to pay withdrawal liability, there is a dwindling level of “new money” coming into the Plan.

   The number of active participants. The number of active participants is significantly down from 2008—by 62%. Fewer active employees mean fewer ongoing contributions coming into our Plan to fund future benefits earned.

   Short-sighted federal laws. Government regulations for multiemployer pension plans, like ours, have made it difficult for the Plan to save for a financial crisis, and to retain and bring new employers and active participants into the Plan.

   Investment returns. The Plan invests its assets and uses investment returns as one source for paying benefits. We suffered huge losses (-32%) in 2008 due to the stock market crash; subsequent returns through 2016 have not achieved the expected results. And we are not alone—the Great Recession impacted multiemployer pension plans across industries*:

   Average investment losses in 2008 were close to -23%.

   The average plan funding ratio dropped from 89% in 2008 to 65% in 2009.

   The number of “Red Zone” plans jumped from 9% in 2008 to 42% in 2009.

To sum it up, the effect of losing contributing employers and active participants was compounded by many Pension Plan participants retiring. The Plan is now overly reliant on market returns and vulnerable to market fluctuations.

**National Coordinating Committee for Multiemployer Plans, Multiemployer Pension Plans: Main Street's Invisible Victims of the Great Recession of 2008. April 2010.*

2. **Wasn't the "Rehabilitation Plan" supposed to fix the Plan's funding problems?**
As required by law, the Board adopted a Rehabilitation Plan in late 2009, which became effective on January 1, 2010. It reduced the accrual rate, increased the normal retirement age to 65, eliminated early retirement benefits, and required supplemental employer contributions that would grow to 338% of the pre-Rehabilitation Plan contribution rate.

However, these changes were not enough to shore up the Plan and the Board updated the Rehabilitation Plan in 2011, and again in 2013, but due to investment declines in 2014 and 2015, along with dwindling membership, the funding shortage became worse.

At this stage, all reasonable measures to forestall insolvency have been taken, and for 2016, the Plan was certified in "critical and declining status" with the U.S. Department of Labor, which means it is not expected to recover and is projected to run out money during 2034.

3. **Has the Board's actions been reviewed?**
The actions of all parties responsible for the Plan's investments are reviewed on a regular basis by outside auditors. The U.S. Treasury Department and Pension Benefits Guaranty Corporation also oversee the Plan. Further, the Plan is required to file yearly statements (Form 5500) by the U.S. Department of Labor (DOL) and is subject to independent DOL audits.

Multiemployer Pension Reform Act of 2014 (MPRA)

4. **What is the Multiemployer Pension Reform Act of 2014 (MPRA) and what does it have to do with benefit reductions?**
MPRA became law in December 2014. It allows severely underfunded multiemployer pension plans like ours to develop Pension Benefit Reduction and Recovery Plans designed to preserve the plans and enable them to continue paying benefits to participants in the future. A Pension Benefit Reduction and Recovery Plan typically includes benefit reductions for most participants--although special protections apply for participants between the ages of 75 and 80 and for disabled pensioners.

5. **What criteria must be met before pension benefits can be reduced under MPRA?**
MPRA generally requires that:

    1. The pension plan must be certified to be in "critical and declining" status by the plan's actuary; and
    2. The proposed suspensions must be enough to avoid insolvency; the law prevents plans from cutting too little or too much.

    Our Pension Plan's actuary has certified that the Plan is in critical and declining status starting in 2016 and has projected that the Plan will run out of money by 2034 if the proposed benefit reductions are not implemented.

6. **What is the process for putting the Pension Recovery Plan into place?**
After the Board develops the Pension Benefit Reduction and Recovery Plan, an application and the Pension Benefit Reduction and Recovery Plan are submitted to the U.S. Treasury Department. Our Pension Plan submitted its application on August 24, 2017; it was accepted for review by Treasury on August 28, 2017.

   Treasury has up to 225 days to review the Pension Benefit Reduction and Recovery Plan and approve or reject it. If the recovery plan is approved, Plan participants then have the opportunity to vote on whether to approve or reject it.

   - If participants vote to **accept** the Pension Benefit Reduction and Recovery Plan, it will go into effect as soon as administratively feasible after the vote.

   - If participants vote to **reject** the Pension Benefit Reduction and Recovery Plan, it will not go into effect, and the Board may choose to rework the application and resubmit it with Treasury. Larger benefit cuts will likely be required under this scenario.

7. **Why is the U.S. Treasury Department involved in decisions about our pension benefits?**
The U.S. Treasury Department and the Department of Labor together oversee the Pension Benefit Guaranty Corporation (PBGC). Congress appointed the Treasury Department to review all multiemployer pension fund recovery plans developed under the MPRA because of the high probability that the failure of multiemployer pensions funds would wipe out the PBGC.

8. **I thought the Employee Retirement Income Security Act of 1974 (ERISA) protected my pension from being reduced after I was vested/retired. Does MPRA undercut my ERISA rights?**
MPRA amends portions of ERISA and the Internal Revenue Code and includes, for the first time, rules for reducing previously protected accrued benefits, including retiree benefits.

Our Proposed Pension Recovery Plan

9. **How was the benefit reduction calculated?**
The Board adopted a position of fairness in deciding on the reduction amount—30% for active participants, terminated vested participants, and retirees age 75 and under. This amount is sufficient to improve the Plan's financial position, avoid insolvency, and continue to pay the best benefits to all participants. It also complies with MPRA limits and exemptions for those age 80 and older, those between ages 75 to 80, and those receiving a disability benefit under the Plan. Also, note that your benefit reduction cannot be lower than 110% of the benefit amount guaranteed by the PBGC.

10. **Why is there such urgency to implement the Pension Recovery Plan? Don't we have 20 years before the Plan runs out of money?**
Today, the Plan is paying out significantly more in retiree benefits each year than it is receiving in employer contributions and investment returns. That deficit will continue to grow if we don't take immediate action. The longer we delay, the larger the benefit reductions will need to be to preserve the Plan. And, if we wait until just before the Plan becomes insolvent, it will be too late—your benefit will be reduced to the amount guaranteed by the PBGC based on your years of service. And if the PBGC runs out of money, your benefit could be reduced even further

11. **Can the proposed reductions be implemented over several years instead of all at once?**
No. The longer we wait to act, the larger the reductions will need to be to save the Plan and your pension.

12. **Can’t you just give me the money that has been contributed on my behalf? Can you take the current assets in the Pension Plan and provide a lump sum payment to every participant in the Plan to invest on our own?**
No. Due to the Plan’s funding status, we do not have enough money to provide lump sum payments to every participant. In addition, because the Plan is in “critical and declining” status, by law we are not allowed to provide participants with lump sum payouts.

13. **If the number of active participants continues to decline, won’t the proposed Pension Recovery Plan run out of money too?**
A decline in the active participant count was built into the Pension Benefit Reduction and Recovery Plan’s projections. MPRA requires that Pension Benefit Reduction and Recovery Plans must be projected to allow the Plan to pay pensions indefinitely. An independent actuary must certify—and the U.S. Treasury Department must agree—that the Pension Benefit Reduction and Recovery Plan is sustainable before it can be approved and implemented. Once our proposed Pension Benefit Reduction and Recovery Plan is implemented, the Plan’s deficit will begin to decrease, which will eventually allow the Plan to stabilize.

14. **What happens if active membership increases?**
While MPRA forces the Plan to assume that membership and contributions will continue to decrease in the coming years, we continue to work toward increasing membership. If that happens, the Plan’s financial outlook may improve.

15. **Are the Plan’s employees, Trustees and local union officers subject to the same benefit reductions as other participants?**
Yes. All trustees and local union officers who participate in this Pension Plan will be subject to the same benefit reductions under the proposed Pension Benefit Reduction and Recovery Plan. The Pension Plan has no employees.

16. **How will the Pension Recovery Plan impact active participants not yet receiving benefits?**
Over the last decade, you have seen your accrual rate reduced and faced other benefit changes. The Pension Benefit Reduction and Recovery Plan should put an end to that. Some of your benefit will be reduced under the Pension Benefit Reduction and Recovery Plan, but—while there are no guarantees—it should be the last cut you face for the foreseeable future.

17. **How do I know the amount of my proposed benefit reduction?**
You will receive a personalized benefit estimate at your home address after August 30, 2017. Contact BeneSys (the Plan Administrator) if you do not receive your estimate or if you believe the information included on your estimate is incorrect.

18. **I think my personalized benefit estimate is wrong. Can I appeal the benefit reduction? What is the appeal process?**
Please contact BeneSys (the Plan’s Administrator) if you believe the information used to calculate your benefit estimate (e.g., your years of credited service) is inaccurate. By law, appeals related to the Pension Recovery Plan cannot be filed or considered until after the Treasury Department approves the Plan.

19. **You say there will be no benefit changes for retirees over 80 years of age and benefit reductions will be prorated on a sliding scale for retirees aged 76-79. What does that mean, and how did you come up with that age range?**
The rules are set by law. According to MPRA, retirees age 80 and over on the Pension Recovery Plan effective date and those receiving a disability pension are exempt from reductions. Retirees between 76 and 79 are subject to a sliding scale of reductions, based on their age on the Pension Recovery Plan effective date. If this applies to you, your pension will remain at that rate for as long as you continue receiving it.

20. I am disabled and receiving a disability pension from the Plan. What will happen to my pension under the Pension Recovery Plan?

If you are receiving a disability pension on the Pension Benefit Reduction and Recovery Plan effective date, nothing will happen to your pension. MPRA protects participants receiving a disability benefit from reductions under a Pension Benefit Reduction and Recovery Plan. However, if our Pension Benefit Reduction and Recovery Plan is rejected, the Plan becomes insolvent, and the PBGC begins providing financial assistance to pay benefits, **all** Plan participants will face pension cuts regardless of age or disability status—and, for most, the cuts will be larger than those proposed under our Pension Benefit Reduction and Recovery Plan.

21. I am over 80 and collect a pension. Since my benefits will not be cut by this plan, why do I care about any of this?

While you are exempt from the cuts under our Pension Recovery Plan, you are not exempt from cuts imposed by the PBGC. If our Pension Recovery Plan is not approved and the Pension Plan becomes insolvent, the PBGC will provide the Plan with financial assistance for paying benefits. **Everyone's** pensions will be reduced across the board—including yours. What's more, for most participants, the cuts will be much larger than those called for by our Pension Benefit Reduction and Recovery Plan. They will hit everyone regardless of age or disability status. Also, if the PBGC itself becomes insolvent, your pension could be reduced even further.

22. If benefit cuts go into effect under the Pension Recovery Plan, can you guarantee that no further reductions will be needed in the future?

We designed this Pension Recovery Plan to fix our Plan's current situation. However, we cannot guarantee that further changes will not be required in the future. The Plan remains subject to a variety of external factors that are completely outside our control and change over time, such as the state of the economy, government regulation, investment returns, and retirement rates. The Board took these factors into account while developing the proposed Pension Benefit Reduction and Recovery Plan, but, again, we cannot guarantee that the reasonable assumptions made now will not be impacted by future events.

23. What if management moves for a mass withdrawal during this process?

So far, the Plan has not experienced a mass withdrawal, even though a large number of employers withdrew between 2008 to 2016. When an employer exits, it must continue to pay its withdrawal liability—equal to the employer's share of the Plan's unfunded liability—while its employees stop accruing Plan benefits. Currently, employer withdrawal liability payments are capped at 20 years.

A "mass withdrawal" occurs when all, or substantially all, employers withdraw from the Plan. If this happens:

- Employer withdrawal liability payments are re-determined under PBGC-mandated rules, including a "no de minimis" exception and no 20-year payment cap
- These rules apply to all employers who exit during the mass withdrawal year, as well as to ***all employers that withdrew in the prior three years***
- A mass withdrawal would likely accelerate the date of insolvency
- Any ability of the Board to implement a Pension Benefit Reduction and Recovery Plan is effectively taken away

For these reasons, the Board believes it is not in employers' best interests to stage a mass withdrawal from the Plan.

Pension Recovery Plan Application and Voting Process

24. Who can vote on the Pension Recovery Plan?
All Pension Plan participants will have the opportunity to vote on the Pension Benefit Reduction and Recovery Plan if it is approved by the U.S. Treasury Department. This includes active employees, retirees, terminated vested participants, and surviving beneficiaries.

25. What happens if the U.S. Treasury Department rejects the Pension Recovery Plan?
If the U.S. Treasury Department denies the Pension Benefit Reduction and Recovery Plan it does not mean that the Pension Plan can simply continue the way it is today. It is projected to become insolvent during 2034.

With this in mind, the Board may choose to rework the Pension Benefit Reduction and Recovery Plan and reapply with Treasury—and larger benefit reductions will most likely be required.

And remember, if the Plan becomes insolvent, the PBGC will provide financial assistance to the Plan and benefits will be reduced to PBGC guarantee levels. This would result in larger benefit reductions than are being proposed by the Pension Benefit Reduction and Recovery Plan.

Also, if the PBGC runs out of money, which is projected to happen within 10 years, your PBGC benefit will be reduced to almost nothing.

26. I understand that the Plan must conduct a vote of participants before implementing its proposed Pension Recovery Plan. How and when will that vote be conducted?
The U.S. Treasury Department has sole responsibility for the voting process. The vote must occur within 30 days of Treasury approval of the Pension Benefit Reduction and Recovery Plan, and the voting period runs for 21 days. The vote will be conducted by an independent party, likely using online and phone voting options.

27. If Treasury makes the ultimate decision on whether the plan is approved, what's the purpose of a participant vote?
It's the law. MPRA requires that our Pension Recovery Plan be first approved by the U.S. Treasury Department. Then the plan must be voted on by Plan participants before it can be implemented.

28. What is the Pension Benefit Guaranty Corporation (PBGC) and its role?
The PBGC is a federal agency created to insure pensions and provide financial assistance with payments if a pension plan runs out of money. When the PBGC assists with pension payments, benefits are automatically cut. With many pension plans currently in trouble and projected to become insolvent, the PBGC itself may run out of money within 10 years. If that happens, pension benefits for plans administered by the PBGC may be reduced to almost nothing.

29. Will any amount of participants' benefit reductions under the Plan's proposed Pension Recovery Plan be covered by the PBGC?
No. The PBGC only gets involved if the Plan becomes insolvent.