New York State Teamsters Conference Pension & Retirement Fund

Retiree Representative

April 7, 2017

Dear Retirees, Beneficiaries, and Inactive Vested Participants,

Please read the below all the way through, and consider reading it twice. This information is very important, and some of it is complicated. Reading it thoroughly will hopefully help prevent unnecessary misunderstanding or confusion.

*** FUND MPRA APPLICATION IS BEING WITHDRAWN & REFILED***

The Fund's Board of Trustees has decided to withdraw its application ("First Application") to cut benefits pursuant to the Multiemployer Pension Reform Act ("MPRA"), and to file a revised application. The Board made this decision based on communications from the Treasury Department suggesting that the First Application would be denied. Some questions and answers are below.

Will benefits be cut on July 1, 2017?

The benefit cuts provided for in the Fund's First Application will **not** go into effect on the proposed effective date of July 1, 2017, but the Fund expects that the cuts proposed in its new application will go into effect on October 1, 2017, if the application is approved. **Thus retirees and beneficiaries will continue to receive their usual monthly benefits after July 1, 2017**, though perhaps only until October 1, 2017 for those affected by the new application.

What will happen next?

The Fund is planning to submit a new application as soon as possible, and the Treasury Department has indicated that it would work to expedite its review. Participants will still be given **notice** of the **new application and its effect on their benefits**, as well as an opportunity to submit comments to the Treasury Department, as before. In addition, there will still be a participant vote if the application is approved by Treasury. If the new plan for cuts is voted down by the participants, the cuts may be put into effect anyway if the Fund is found to be "systemically important" based on the amount of liability it would impose upon the PBGC. Just to be clear, it is not certain that the plan will or will not be considered "systemically important."

What will the cuts proposed in the new MPRA application be?

What the cuts will be under the new application remains to be seen. These cuts will be determined by the Board, and I will again argue vigorously to make the cuts as small and as fair as possible for those I represent.

Previously the Fund said cuts in a new application would be deeper than 31%, because the Fund's fiscal condition was expected to deteriorate significantly between the effective date of the First Application and the effective date of a later application. But there is some reason to hope that the cuts under the new application will not actually be deeper. The Fund's investment earnings during the last few months have been better than expected, which could help make deeper cuts unnecessary. It's still possible, however, that the new proposed cuts will be deeper than 31%.

What was wrong with the First Application?

The Treasury Department questioned two significant assumptions used in the First Application.

First, it questioned the explanation of the investment return assumptions used in the First Application, which were 6.75% in the short term and 7.5% in the longer term. Treasury asked why these assumptions differed from the higher rates suggested by a survey of investment managers, and requested a detailed explanation of how these percentages were determined. As a result of these questions, investment return assumptions higher than 6.75% and 7.5% may be used in the new application. If the Fund is encouraged to use a higher return assumption, this could help to prevent deeper cuts.

The Treasury Department also questioned a second significant assumption and indicated that the mortality assumption used by the Fund might need to be revised.

Finally, the Fund may consider changes to some of the less significant actuarial assumptions that Treasury reviewed.

Again, however, what the new application will provide remains to be seen, and Treasury has not specifically stated what assumptions it would like the Fund to use at this time.

UPS PRESENTS LEGISLATIVE PROPOSAL

In a meeting in Washington, D.C. on March 27, 2017, representatives of UPS held a meeting with trustees of troubled funds, including our Fund; the IBT; and government officials. At the meeting, UPS described its proposal for legislation to address the crisis facing many multiemployer plans.

Under its proposal, the government would provide low interest loans to the funds and the funds would cut benefits up to 20% for all participants. **There would be no**

<u>protections from cuts based on age or disability pension status</u>, or from the cuts bringing benefits below the PBGC-guaranteed level, though some protection might be provided for small benefits.

The proposal also provides for increasing revenue to the PBGC through higher premiums paid by funds; employee, union, and employer surcharges; and government funding. The PBGC would then pay a portion of “orphan” benefits—i.e., benefits arising from work for employers who have failed to pay their full withdrawal liability—equal to the PBGC-guarantee amount that would apply if the fund went insolvent. A copy of UPS’s draft proposal is posted on my website (address below).

Please note that the Fund has not supported UPS’s proposal, and that it is unclear whether it is supported by other funds or by government officials.

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I would like to thank all the retirees and spouses who participated in the letter-writing campaign to government officials. We had almost 1,000 letters that were sent in.

As always, if you have questions or issues, please feel free to contact me using the information below.

Thank you.

Tom Baum

Tom Baum

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