



TEAMSTERS

LOCAL 807

Serving NYC, Long Island and NJ since 1909

Local 807 Labor-Management Pension Fund

Understanding the Pension Preservation Plan

November 15, 2018

Housekeeping

- Pension Preservation Plan Website:
www.807pensionpreservation.org
- Ask a question today:
 - Type them into the Q&A box on your screen
 - Email info@807pensionpreservation.org
- Pension Preservation Plan Call Center:
 - (833) 593-3023, 9:00 AM - 5:00 PM EST, Monday through Friday
(closed on weekends and holidays)

Today's Meeting

- **Overview**
- **How We Got Here**
- **Multiemployer Pension Reform Act of 2014 (MPRA)**
- **Our Proposed Pension Preservation Plan**
- **What Happens Next**

Overview

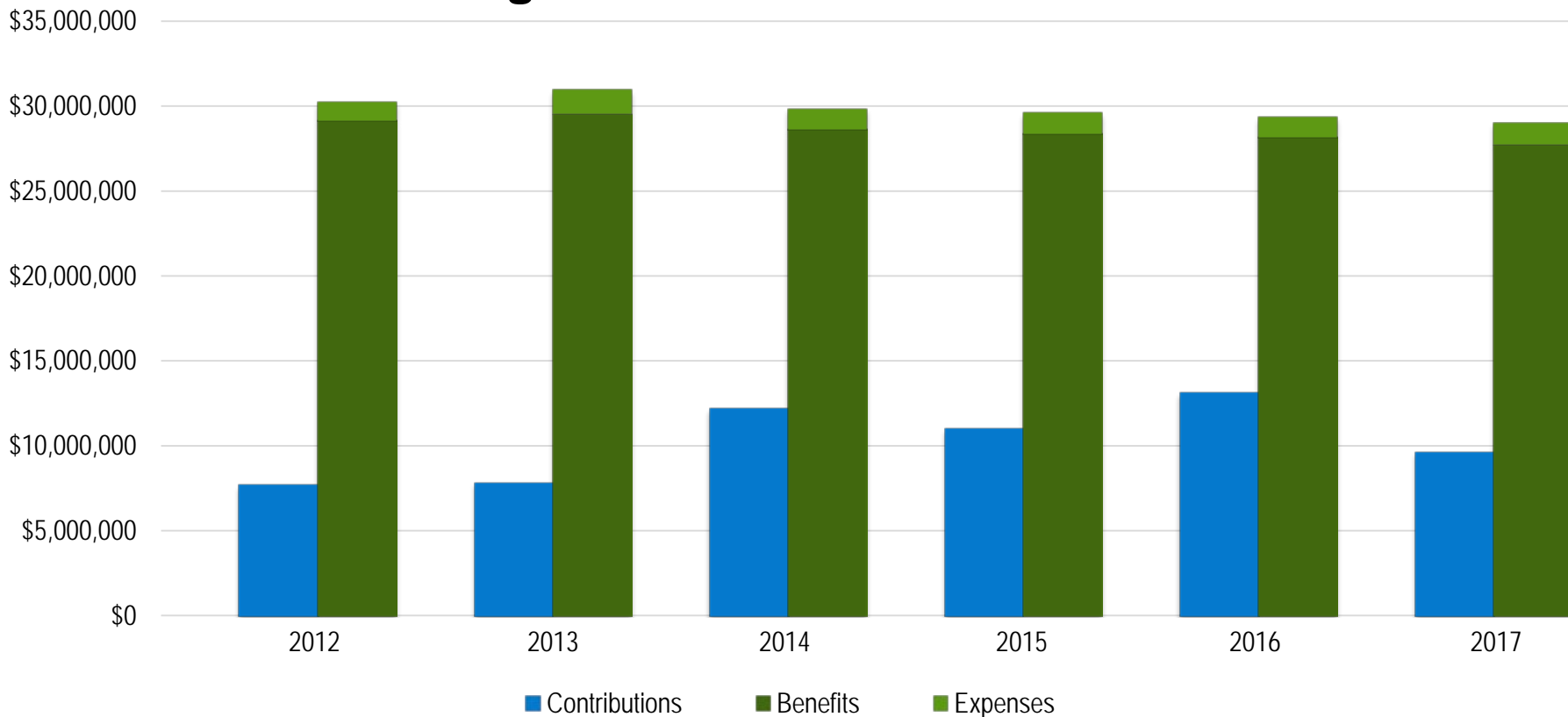
- The Local 807 Pension Fund is facing very serious troubles because it is critically underfunded
- If we do not take action, **the Pension Fund will become insolvent and run out of money in 10 years or less**
- At that point, our Fund will have zero assets and will not be able to pay benefits to current 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**

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



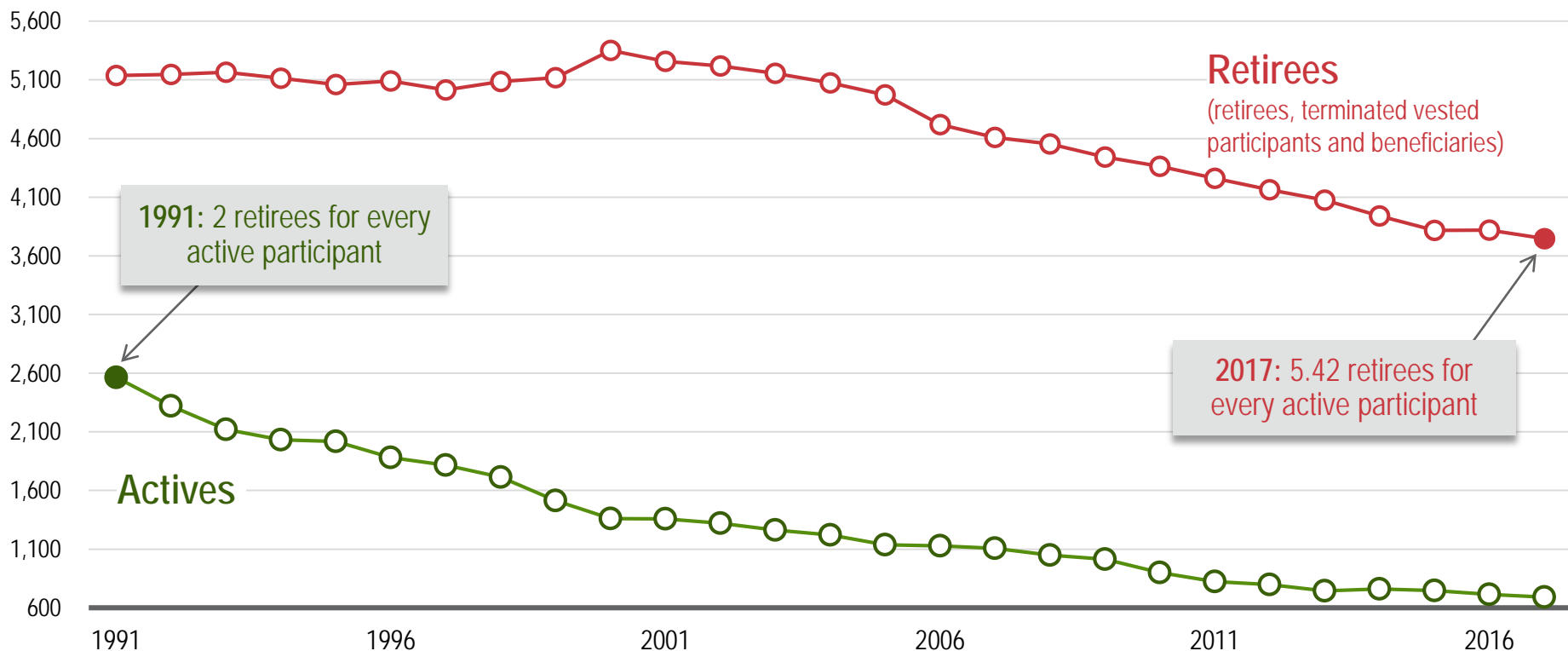
How We Got Here: Loss of Contributing Employers

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: A Major Decrease In Active Participants

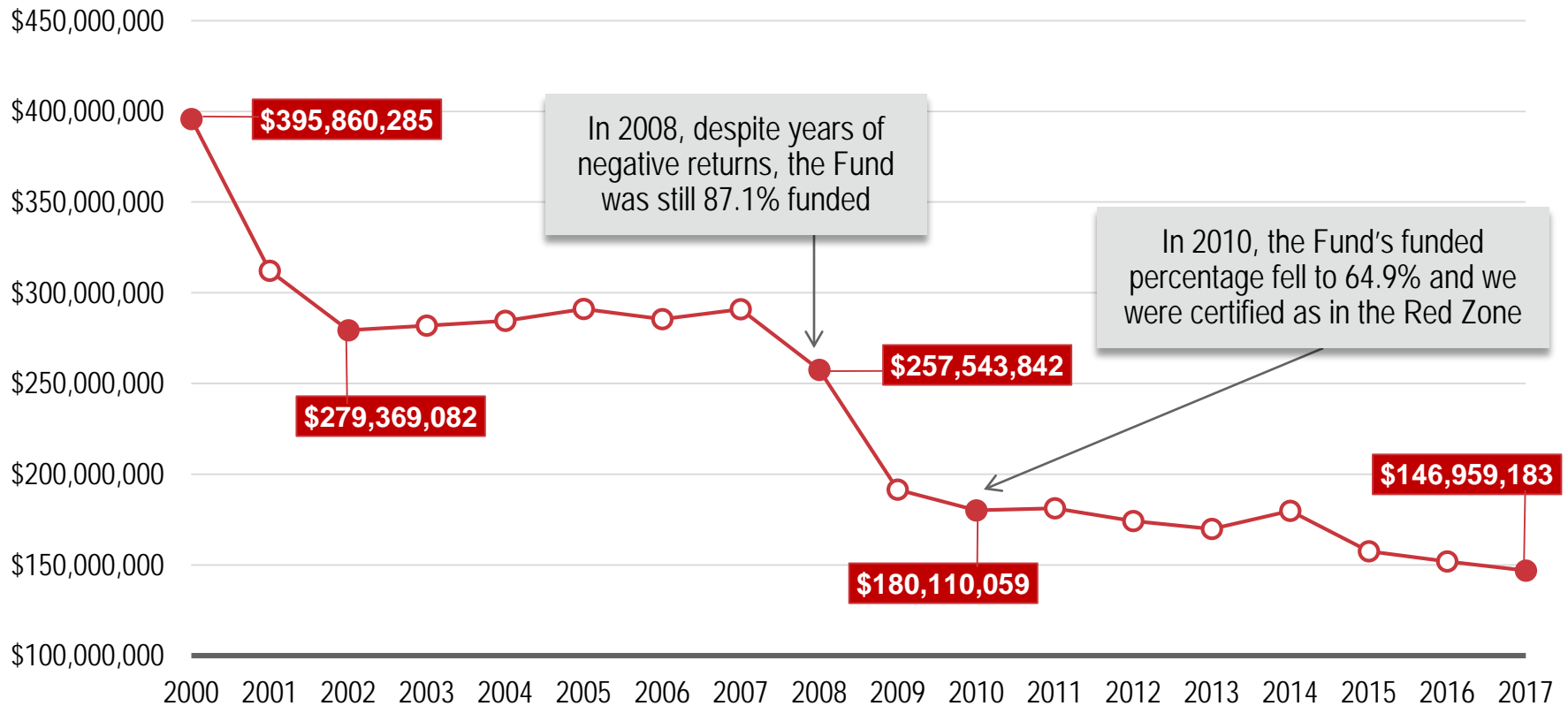
Retirees Outnumber Actives By Over 5 to 1



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

How We Got Here: Stock Market Crashes

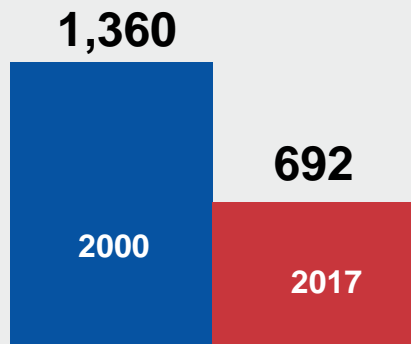
Market Value of Assets



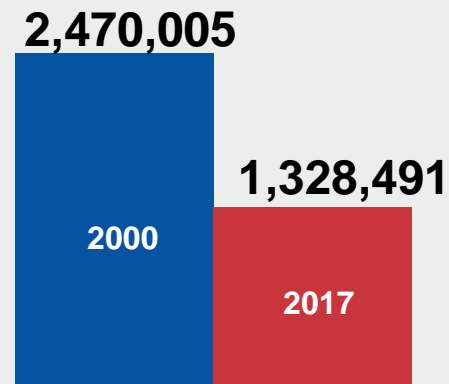
Funding levels dropped almost 30% between 2000 and 2002 and then another 34% after the 2008 crash; in 2016 our funding percentage fell to 46.7% and we were certified as a Red Zone Fund in Critical and Declining Status.

How We Got Here: Changes That Hurt Our Pension Fund

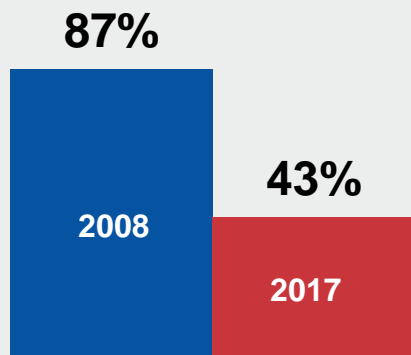
Active Participants Dropped



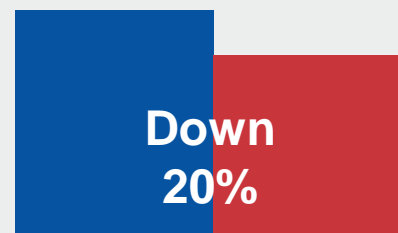
Hours Worked Dropped



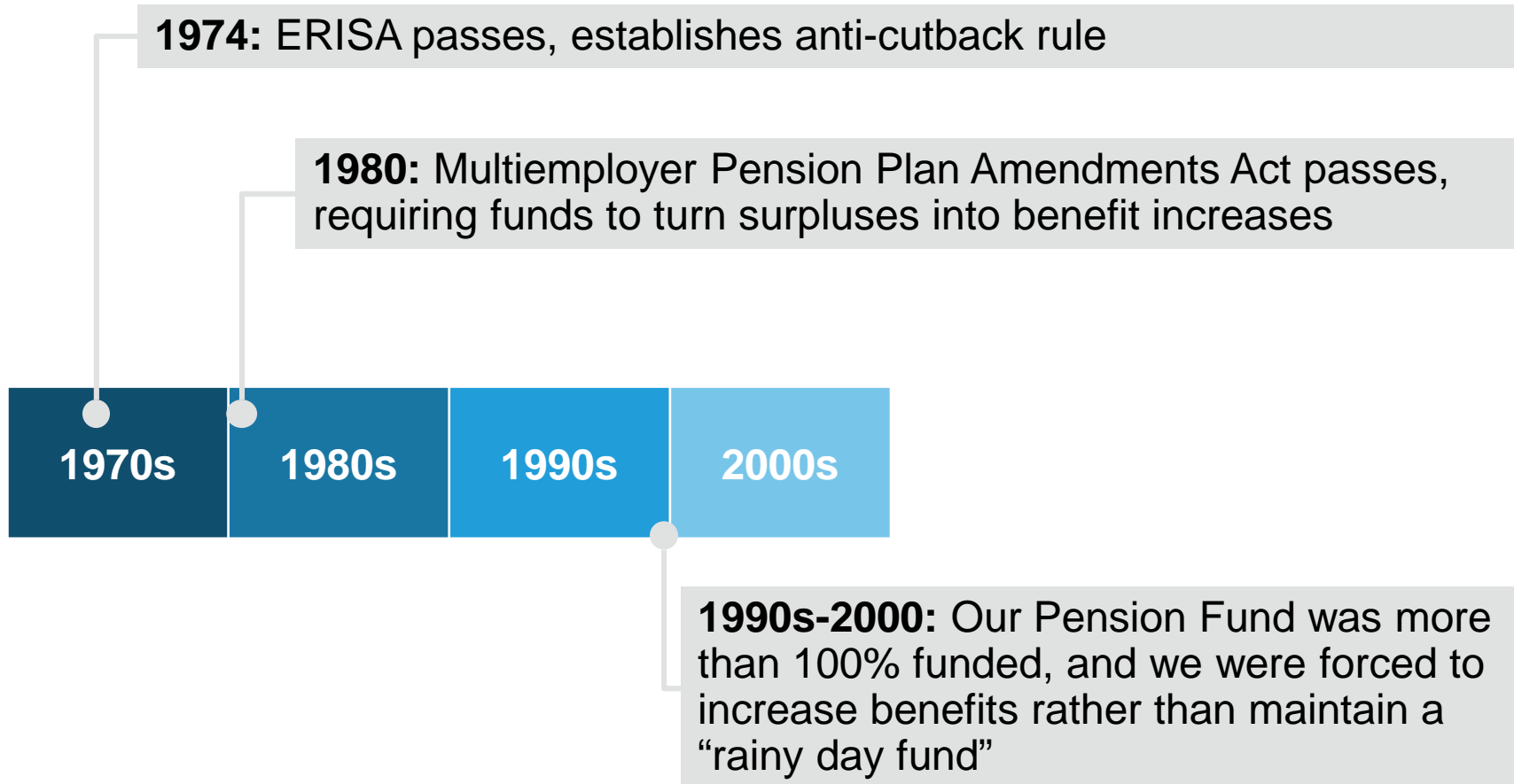
Funding Percentage Dropped



Contributing Employers Dropped



How We Got Here: Short-Sighted Government Regulations



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 fund 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)

Why A MPRA Benefit Suspension?

- MPRA allows 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
- The Pension Fund has been certified as in “critical and declining” status with the Department of Labor—it qualifies to use MPRA
- 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 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
- 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 in July
- **All participants vote on the Pension Preservation Plan** if it is approved by Treasury

What About The PBGC?

- Without MPRA benefit suspensions, our Pension Fund would become insolvent and go to the Pension Benefit Guaranty Corporation (PBGC)
- If that happens, all participants would face much larger cuts, regardless of age, active or retired status, or disability
 - The 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
- 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

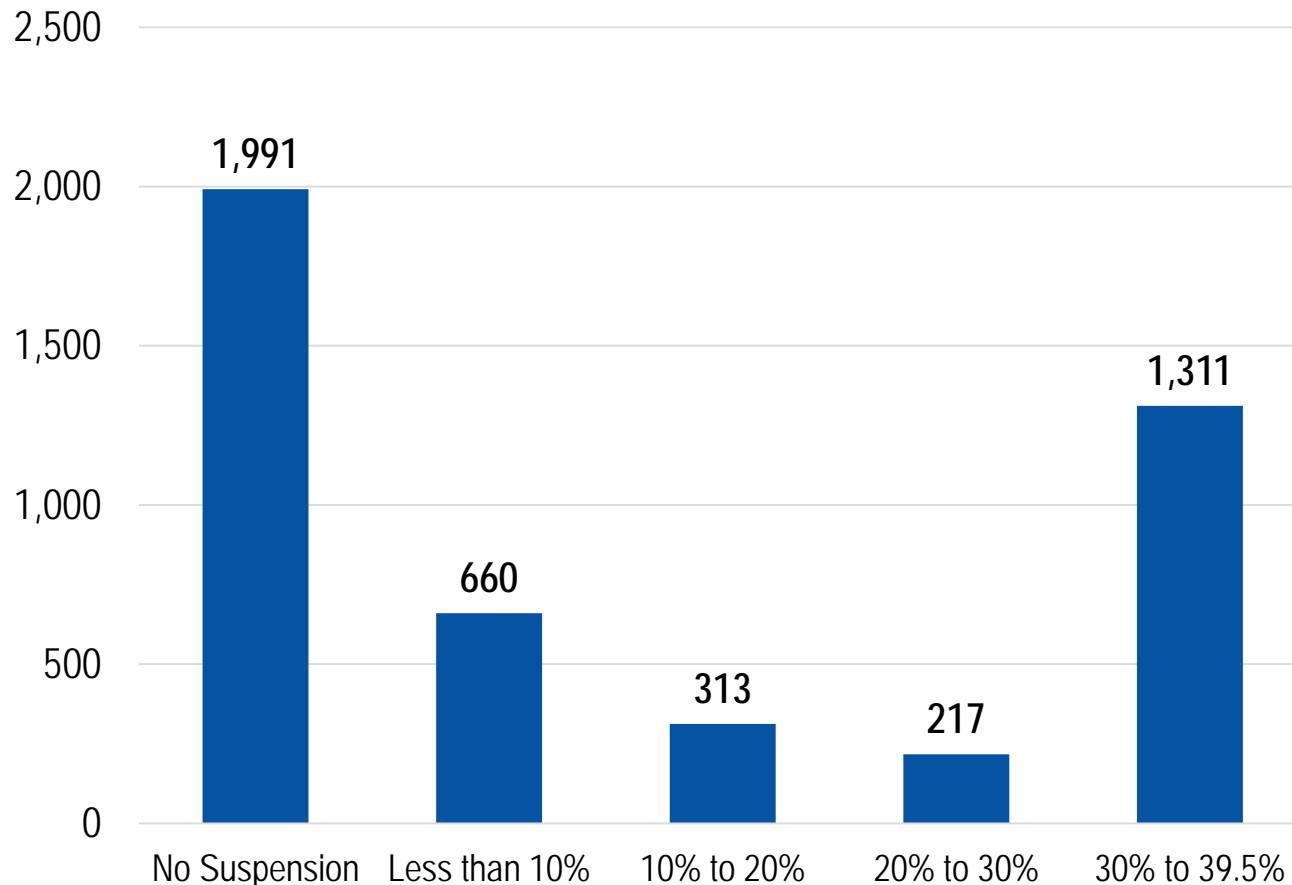
Our Proposed Pension Preservation Plan

How Will Pensions Be Suspended?

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

How Are Benefit Suspensions Distributed?

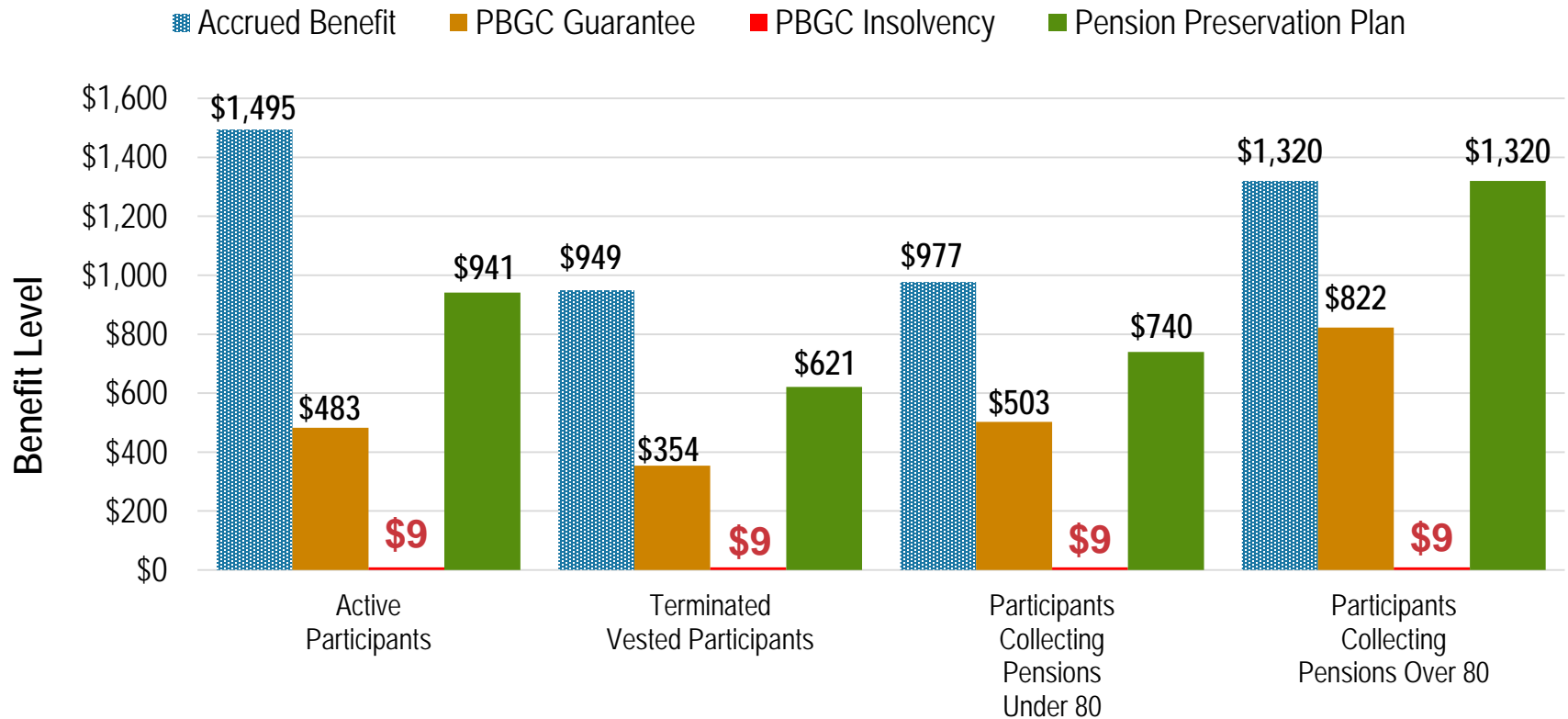
Benefit Suspension Percentage Distribution



- 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?

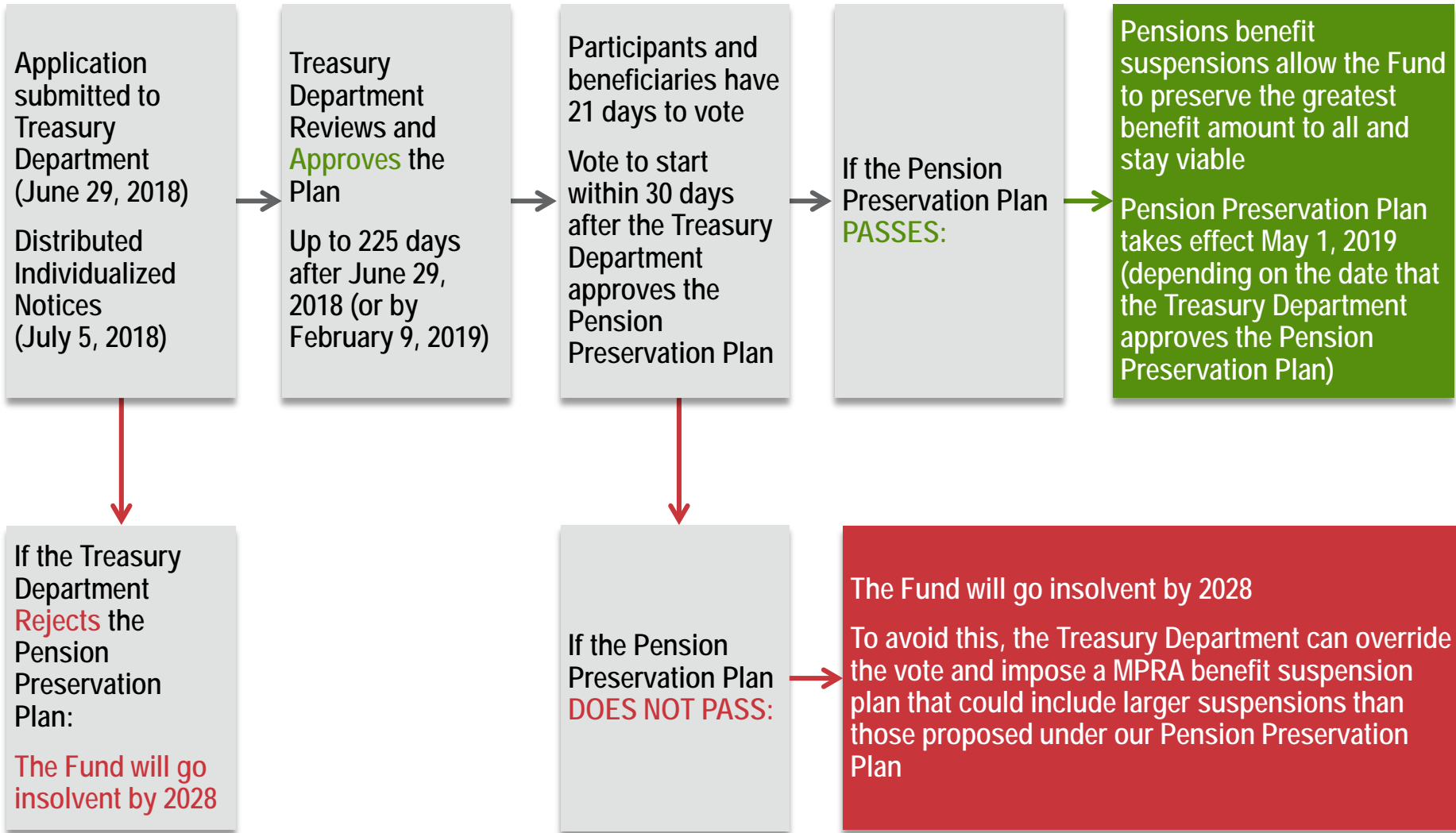
MPRA Benefit Suspensions Are Better Than PBGC Pension Cuts



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

What Happens Next

Benefit Suspension Process



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:

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- Visit our Pension Preservation Plan Website:
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