

# LOCAL 807 LABOR-MANAGEMENT HEALTH & PENSION FUNDS

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## **MPRA Pension Preservation Plan**

June 2018

Dear Participant,

We are writing to update you on the state of our Pension Plan. In 2016, we informed you that the 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 in the near future—in our case in 2028—unless we take action now.

Despite our best efforts to keep the Plan on sound financial footing, 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 and now threatens the Plan's survival.

There are no easy answers to the problems the Plan faces, but there is now a path forward. What we can and will do is use an approach set forth in the Multiemployer Pension Reform Act of 2014 (MPRA), as described below. MPRA makes it possible for us to develop and implement a Pension Preservation Plan.

### **MPRA Overview**

MPRA gives Trustees of plans like ours the ability to avoid insolvency and save your pensions 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. By activating a Pension Preservation Plan, we expect to:

- Fix the Plan's finances "once and for all." Our goal is to 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.
- Keep the benefit reductions as fair and modest as possible. However, because of the way the MPRA law works, the percentage by which benefits will be reduced will differ based on a number of factors, including the participant's age when the reductions go into effect.

We will be submitting an application for MPRA relief at the end of this month. At that time, we will send individual notices to all participants explaining in detail our proposal to save your pension and the Plan. The notices will include personalized benefit amounts so you can see what the changes will mean for you—and what will happen to your pension if we do not take action. If approved, the Pension Preservation Plan will go into effect on May 1, 2019.

### Key MPRA Facts

- **For disability pensioners and retirees and beneficiaries who are age 80 and above** when the MPRA relief plan goes into effect, you are exempt from the reductions and **your pensions will NOT be reduced.**
- **For retirees and beneficiaries who are at least age 75 but less than 80** when the MPRA relief plan goes into effect, **your reductions will be calculated on a sliding scale** based on age. The reductions taper off the older you are when the MPRA relief plan goes into effect.
- **If our Pension Preservation Plan is not approved and the Pension Plan becomes insolvent, we face the possibility that the Pension 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 our Pension Preservation Plan, and the cuts will hit everyone regardless of age or disability status. And, if the PBGC itself becomes insolvent, your pension could be reduced to nothing.**
- **The longer we wait, the larger the benefit reductions will have to be.** If we wait too long, no relief plan will be able to save the Plan from running out of money.

### What's Next

At the end of June, we will submit our application to the Treasury Department. Once the application is accepted by the Treasury Department, we will send you an individualized notice that explains the plan and how it will impact your pension.

We will present the details of our Pension Preservation Plan and answer your questions through a Town Hall-style in-person meeting and online presentations in July. We will provide more details about these meetings once we schedule them.

### Want More Information?

Once our Pension Preservation Plan is submitted, you will be able to review it, comment on it and, upon approval of the Treasury Department, vote on whether to ratify it or not. We will continue to keep you informed throughout the Pension Preservation Plan process. We are devoting resources to help you understand this process.

- **Pension Preservation Plan Call Center:** (833) 593-3023 (Please note that the Call Center will be open to receive calls starting Monday, June 25, 2018.)
- **Pension Preservation Plan Website:** [www.807pensionpreservation.org](http://www.807pensionpreservation.org). The website will have information about the Pension Preservation Plan, including FAQs, updates and videos, as well as downloadable copies of documents and mailings. (Please note that the website will be online starting Monday, June 25, 2018.)

### In Closing

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. The only reason we're even contemplating these changes is to prevent the Plan from going broke, and your pension payments from being cut even more—or disappearing altogether. If the Pension Preservation Plan works as we expect it to, the result will be a Pension Plan you can count on for years to come.

Sincerely,  
The Board of Trustees